ANNUAL REPORT
2011
MOBERG DERMA

CONTENTS

GOALS ACHIEVED IN 2011

- Strong increase in revenue and significantly improved earnings.
- Nalox™ strengthened its market leading position in the Nordic region and the product was launched in the U.S., Australia, Switzerland and Portugal.
- License agreement with Meda covering 22 countries (large parts of Europe, Russia and Turkey) with a total of 550 million inhabitants.
- Distribution agreement with Menarini for Italy.
- Distribution agreement with Alterna for the U.S.
- Raising of capital and listing on the NASDAQ OMX Stockholm, main list.

FOCUS AREAS IN 2012

The company's key objectives in 2012 are to:

- secure continued revenue growth by supporting the company's distributors and facilitating continued successful launches of Nalox™ in additional markets.
- conduct clinical trials on MOB-015 and Limtop.
- expand the company's product and project portfolio.

2011 IN FIGURES

Net sales	MSEK 55.9 (8.5)
Research and development costs	MSEK 28.6 (19.0)
Net loss after tax	MSEK 6.4 (-31.0)
Loss per share	MSEK 0.82 (-5.08)

KEY BUSINESS EVENTS IN 2011

FEBRUARY – A clinical trial of Nalox™ was completed on 75 patients with nail fungus. Key results included that 92 percent of the patients improved after eight weeks of treatment and 77 percent of the patients after only two weeks.

MARCH – A fully subscribed rights issue generated MSEK 12.0 for the company.

APRIL – Annual General Meeting (AGM) 2011. Peter Rothschild was elected to the Board of Directors.

MAY – Listed on NASDAQ OMX Stockholm's main list on May 26, 2011. In conjunction with the listing the company implemented a new share issue, which was fully subscribed, raising MSEK 69.2.

JUNE – Distribution agreement with OZHealth Pharma to market Nalox™/Emtrix® in Australia and New Zealand.

JUNE – European marketing authorization obtained (CE-mark) for Kaprolac® Skin Repair & Hydration.

JULY – Distribution agreement with Alterna LLC for the marketing of Nalox™/Emtrix® in the U.S. The contract also includes co-funding of marketing activities.

AUGUST – The company's U.S. distributor received a first order from Walmart, the world's largest retail chain.

SEPTEMBER – Recruitment of 237 patients with nail fungus was completed for the ongoing MOB-015 phase II trial.

SEPTEMBER – The company entered into a licensing agreement with Meda AB for the marketing of Nalox™, encompassing several major countries in Europe such as Germany, France, Spain, the U.K., Austria, the Netherlands and Belgium. As compensation for exclusive rights, Meda will pay a total of MSEK 32. In addition, compensation will be paid for delivered products.

OCTOBER – The company decided to discontinue the A-Fizz development program.

NOVEMBER – The company received a research grant of MSEK 4 from Vinnova.

DECEMBER – The license agreement with Meda expanded to include Russia, Turkey and companies in Eastern Europe. As compensation for the additional markets, Meda agreed to pay MSEK 18, as well as compensation for delivered products.

DECEMBER – Moberg Derma terminated the distribution agreement in Canada, regaining all rights to Nalox™/Emtrix® in the country.

DECEMBER – A distribution agreement was entered into with Menarini Group to market Nalox™/Emtrix® in Italy.

FINANCIAL CALENDAR

ANNUAL GENERAL MEETING APRIL 23, 2012 AT 5.30 P.M.
Gustavslundsvägen 42, 5 tr., Bromma at Moberg Derma's office

INTERIM REPORT January – March 2012
To be published April 23, 2012

INTERIM REPORT January – June 2012
To be published August 28, 2012

INTERIM REPORT January – September 2012
To be published October 25, 2012

MOBERG DERMA IN BRIEF

Moberg Derma's business concept is to develop patented topical pharmaceuticals for the treatment of common diseases using innovative drug delivery solutions. The company's products are based on proven compounds, reducing time to market, as well as development costs and risks.

STRONG REVENUE GROWTH AND SIGNIFICANTLY IMPROVED EARNINGS:

- The success of Nalox™ has enabled Moberg Derma to quickly evolve from a development company to a growth company with a strong focus on sales.
- Rapid sales growth and low fixed costs brought about a significant improvement in earnings for 2011.
- Close collaboration with distributors and partners is key to Moberg Derma's success. The company currently has agreements with eight partners, including two of the world's 50 largest pharmaceutical companies, covering markets with a total of approx. 1 billion inhabitants.

"Strong revenue growth and significantly improved earnings in 2011"

Moberg Derma was established in 2006 and has 22 associates. Moberg Derma's share (OMX: MOB) is listed on NASDAQ OMX Stockholm's main list. The company develops innovative products that treat skin diseases such as nail fungus (onychomycosis), atopic dermatitis and actinic keratosis.

GOAL

The goal is to develop Moberg Derma into a profitable pharmaceutical company that delivers leading new topical pharmaceuticals to a global marketplace, based on novel patented formulations of proven compounds.

The company's long-term financial goal (3–5 years) is to achieve an operating margin of at least 25 percent, with continued strong growth.

The company believes that revenue growth will continue, positioning Moberg Derma to achieve profitability for the full year 2012.

"Product development based on proven compounds reduces time to market, development costs and risks."

STRONG REVENUE GROWTH AND SIGNIFICANTLY IMPROVED EARNINGS

We have had an eventful period since listing the company. 2011 was a successful year, with strong revenue growth and significantly improved earnings. For the first time in the company's history we reported quarterly profitability – in both the third and the fourth quarter. A series of commercial successes and the ongoing international expansion of the company has provided good prospects to attain full year profitability already in 2012.

THE BUSINESS MODEL WORKS

We were also successful in surpassing our two most important goals for the year – the distribution of Nalox™ in additional markets and generating robust revenue growth. We have reinforced our position as a growth company with a strong focus on sales, demonstrating that our business model works.

NORDIC LAUNCH A MAJOR SUCCESS

Our most extensive collaboration is with Meda OTC, the first company to launch Nalox™ on the Nordic market at the end of 2010. The Nordic launch included detailed consumer studies, intensive marketing to pharmacy chains and a successful advertising campaign targeting end consumers. In 2011, Nalox™ strengthened its market leading position in the market, becoming 3–4 times larger than its closest competitor. The success of Nalox™ further expanded the size of the market by several hundred percent, certainly increases the motivation of our international partners.

"Meda OTC launches Nalox™ in markets comprising more than 550 million inhabitants after its success in the Nordic region"

INTERNATIONAL EXPANSION DRIVES CONTINUED GROWTH AND IMPROVED MARGINS

A key factor for continued success is close collaboration with our distributors and partners. Today, we work with eight partners covering some fifty markets of which the most important are the Nordic region, the 'big-five' EU countries, as well as the U.S., Russia, Turkey and Australia. At the end of the year, Nalox™/Emtrix® had been launched on eight markets.

Our agreement with Meda comprises a total of 22 countries representing more than 550 million inhabitants. Meda builds on its successful Nordic launch when adapting marketing strategies to fit local conditions in new markets. Market preparations are in full swing, with launches either underway or planned going forward.

Our partnership with Alterna in the U.S. is another important collaboration. Alterna has been successful in getting the product on the shelves of major drugstore and retail chains such as Walmart, Walgreens, Rite-Aid and CVS. Only when the products are on the shelves can marketing to the consumer begin. The product is marketed under Alterna's Kerasal® Nail trademark. This partnership combines our leading nail product with Alterna's experience in successfully marketing Kerasal®, a well-established trademark in foot care.

"The prospects are good for achieving profitability already in 2012"

The Nordic countries accounted for four fifths of product sales in 2011. Launches in other markets have created a momentum for international expansion and continued strong growth. Rapid growth in sales also means that we have generated significant volume, achieving economies of scale in manufacturing. Starting up with a new manufacturer combined with an increase in volume has improved our gross margin considerably. All in all, the prospects are good for achieving profitability already in 2012.

DEVELOPMENT OF INNOVATIVE PRODUCTS WITH UNIQUE BENEFITS

Nalox™ is an excellent example of the success of our business model, which facilitates the development of innovative products providing key benefits for patients. At Moberg Derma, we focus development on new combinations or formulations of proven compounds, which reduces development costs, risks and time to market.

The inherent risk of our business model is lower than that of traditional drug development. However, each individual project also comes with a risk. We discontinued one development project (A-Fizz) and recently established that midterm results of the open phase II trial on MOB-015 did not turn out as expected. The final results of the trial will be available at the end of 2012, however following an analysis of the project in February our assessment is that project risk has increased considerably. In parallel with completion of the trial, we will receive further data and will be able to identify potential opportunities for product improvements.

Limtop has advanced and the clinical phase I program on actinic keratoses (sun damage) started recently. In 2011, partnerships were established with some of the world's leading experts in the

field, which was the motivation to conduct the trial in Germany. Provided that phase I results will be positive, we expect the results of phase II in the first half of 2013.

We have strengthened our patent portfolio, which now comprises nine patent families. Our new inventions provide a foundation on which we can develop a number of products with similar or greater potential than Nalox™.

Our current pharmaceutical development projects will take some years to reach the market. Consequently, we are exploring other opportunities to gain access to products. Being a listed company, equity can be utilized for acquiring companies, project portfolios or products. There are significant opportunities to develop the company by complementing our existing portfolio with selected external assets.

LOOKING FORWARD TO AN EVENTFUL YEAR

In a short time we have taken a unique product to market, which is now positioned for a large scale international launch. I look forward to another eventful year of more launches in additional markets, the start of new projects and – assuming we find the right targets – value-creating acquisitions or licensing as a complement to our portfolio.

I am very proud of our accomplishments over the past year, in which we achieved major progress towards attaining our goal of becoming a profitable, fast growing pharmaceutical company. In our industry, we must always be prepared that a single project may not develop according to plan – what is important is that our development as whole moves in the right direction.

"In 2011, we have made major progress towards our goal of becoming a profitable, fast growing pharmaceutical company"

I would like to express my gratitude to my great colleagues, committed Board members and shareholders. Thanks to your efforts we have been successful in developing a different kind of Swedish pharmaceutical company, turning into profitability under strong growth.

PETER WOLPERT, CEO AND FOUNDER

COMMERCIALIZATION OF INNOVATIVE PRODUCTS

Moberg Derma develops and commercializes innovative medical products for topical treatment of common diseases. The company develops products for a global market, with operations comprising sales, manufacturing, business and product development. The business model is based on sales through distributors and partners.

GOAL

Moberg Derma's goal is to be a profitable pharmaceutical company that delivers leading new topical pharmaceuticals to a global market, based on novel patented formulations of proven compounds. The company's long-term financial goal (3–5 years) is to achieve an operating margin of at least 25 percent, with continued strong growth.

OPERATING GOALS IN 2012:

- To secure continued revenue growth by supporting the company's distributors and facilitating continued successful launches of Nalox™ in additional markets.
- To conduct clinical trials on MOB-015 and Limtop.
- To expand the company's product and project portfolio.

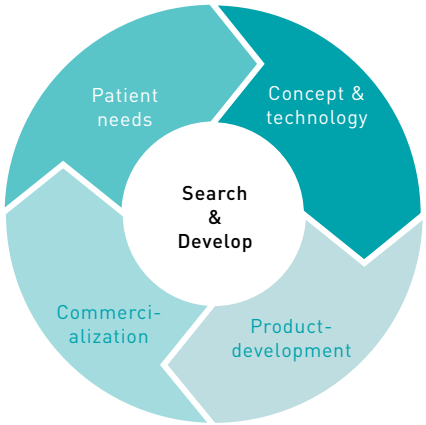
STRATEGY

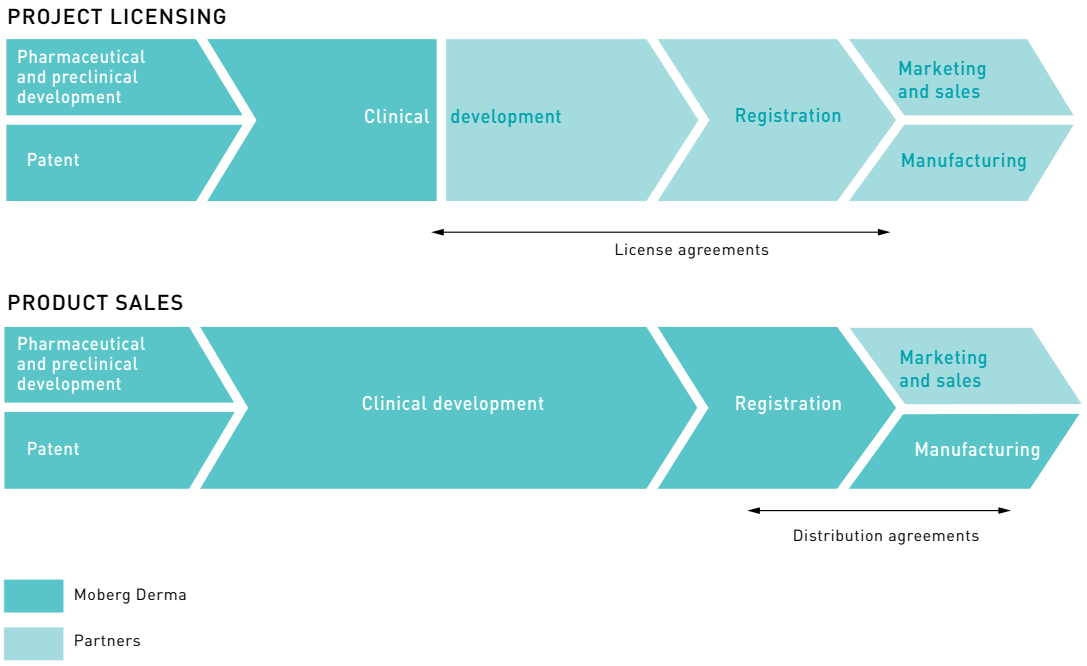
Moberg Derma's strategy builds on the following components:

- A commercial product focus aimed at specific patient needs.
- Expansion through acquisitions of businesses, products and projects.
- Out-licensing of products and projects at a stage of the development where commercial value can be maximized relative to investment and risk.
- Product development based on proven compounds, which reduces time to market, development costs and risks compared to traditional drug development.
- A regulatory strategy comprising pharmaceuticals as well as medical device and cosmetic products.
- "Search and develop" – combining internal innovation with technologies and product opportunities from external researchers and companies.
- A small internal team with strong managerial capacity and expertise working in close collaboration with selected external partners and world-leading experts.

INNOVATION ENGINE

Illustrated below is Moberg Derma's innovation engine for inflow of ideas and commercialization of new products.





BUSINESS MODEL

Moberg Derma's business model is designed to optimize the value of the company's product and project portfolio. Each product and project is taken to the stage of the development where the company deems that commercial value can be maximized relative to investment and risk. In practice, this means that rights to projects are normally out-licensed sometime from the point in time when the results of phase II are available until the product is registered on the market.

The business model comprises two revenue models – product sales and project licensing – depending on whether responsibility for the manufacture of the finished product rests with Moberg Derma or not. Moberg Derma may also retain certain rights for subsequent out-licensing or proprietary marketing.

Revenue model: product sales – In the case of product sales, Moberg Derma is responsible for the manufacture and delivery of the finished product. Revenue comprise payment for delivered products. After entering into a distribution agreement, Moberg Derma works closely with the distributor to secure knowledge transfer concerning the product and marketing strategy, positioning and marketing collateral. This revenue model is used for the Nalox™/Emtrix® and Kaprolac range of products.

Revenue model: project licensing – In project licensing Moberg Derma manages the development process until key value-raising milestones have been reached and then outlicenses the rights to other parties, normally based on efficacy data from phase II trials. Moberg Derma also outlicenses rights to pharmaceutical companies with established marketing channels, which manage the remaining activities up to and including registration, marketing and sales of the finished product. Revenue comprise milestone payments and royalties on the licensee's sales. Moberg Derma intends to use this revenue model for pharmaceutical projects such as MOB-015 and Limtop.

STRATEGIC PARTNERSHIPS AND BUSINESS DEVELOPMENT

Strategic partnerships throughout the value chain are crucial for Moberg Derma, both during the concept and product development stages and at the commercialization stage. The company seeks to achieve a balance between projects which are developed internally up to marketing authorization and projects which are outlicensed to and developed in collaboration with business partners. For projects outlicensed to other parties the strategy is to retain certain marketing rights. Since the start in 2006, the company's management has developed a global network of companies and experts in dermatology and has several ongoing partnerships.

"Strategic partnerships throughout the value chain are crucial for Moberg Derma."

MANUFACTURING

Moberg Derma's products are produced by contract manufacturers. The company manages production planning in close collaboration with our manufacturers, controlling production methods and know-how that are specific to the company's products. In 2011, the company entered into a partnership with a new European manufacturer, which in combination with increased volumes has improved the company's gross margins.

PRODUCT DEVELOPMENT BASED ON PROVEN COMPOUNDS

Moberg Derma develops pharmaceuticals as well as medical device and cosmetic products. The common denominator for all the company's products is that benefits are assessed and documented in clinical trials. The company develops new and improved formulations of proven compounds, namely compounds that have already been approved for pharmaceutical use in existing products. As development is based on proven compounds, comprehensive documentation is already available at the start of the project. This strategy cuts time to market as well as costs and development risk.

DERMATOLOGY – NICHES WITH INTERESTING POTENTIAL

Skin diseases are widespread, affecting hundreds of millions of people worldwide. The market is fragmented, providing excellent opportunities for specialized players to add value.

THE MARKET FOR DERMATOLOGICAL PHARMACEUTICALS

The market for dermatological pharmaceuticals, both prescription and non-prescription pharmaceuticals, was estimated at USD 20 billion in 2011. The segment accounts for just three percent of the total pharmaceutical market and comprises only a limited number of products with annual sales of over USD 250 million. Prescription pharmaceuticals are prescribed by general practitioners and dermatologists (skin specialists). Over-the-counter products are used for self-care and are sold mainly at pharmacies but also in supermarkets and by dermatologists and podiatrists.

"Due to the small number of new dermatological pharmaceuticals that have been launched in the last few years there is a major need for new drugs and treatment methods"

Dermatological pharmaceuticals are mainly used in indication areas such as infections (mainly fungal infections), dermatitis, acne, psoriasis and sun damage. Skin infections make up the largest treatment area, with annual sales of around USD 4 billion in 2010.[1] The U.S. is the largest geographic market, comprising 46 percent of the global market in 2010.[1]

The market is fragmented and the few major multinational pharmaceutical companies operating in the segment include Merck, Novartis and GSK/Stiefel Laboratories. In addition, there are a number of medium-sized pharmaceutical companies such as Galderma, Leo, Almirall, Astellas, Bayer HealthCare (Intendis), Meda, Nycomed US, as well as regional dermatology companies.

NEW PATENTED PHARMACEUTICALS AND MEDICAL DEVICE PRODUCTS

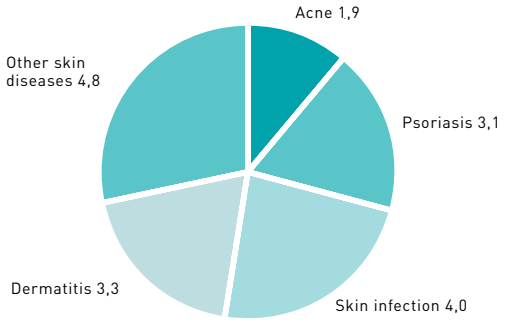
Many dermatology indications are dominated by older, non-patented products and generics. Due to the small number of new dermatological pharmaceuticals that have been launched in the last few years there is a major need for new drugs and treatment methods. Future growth is expected in areas where new patented products become leading treatment alternatives. New products include both improved formulations and new active compounds. The scope for new formulation technologies is increasing as more and more proven compounds lose their patent protection.

AN AGING POPULATION AND NEW HABITS

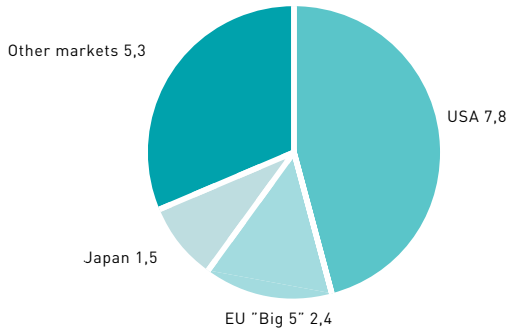
Many diseases, including fungal nail infections, have a positive correlation with age, i.e. disease prevalence increases with the ageing of the population. The same applies to many diseases that are related to exposure to sunlight. Changing habits relating to increased exposure to the sun raise the risk of contracting skin diseases such as actinic keratosis.

1) Business Insights, Dermatology Market Outlook to 2016

GLOBAL SALES OF PRESCRIPTION PHARMACEUTICALS IN 2010, BY INDICATION AREA, BILLION USD



GLOBAL SALES OF PRESCRIPTION PHARMACEUTICALS IN 2010, BY GEOGRAPHIC REGION, USD BILLION



Source: Business Insights

HEALTH-CONSCIOUS, WELL INFORMED PATIENTS

Via internet and other media, patients today are becoming increasingly well informed and more inclined to self-diagnose and select treatment for uncomplicated symptoms. This trend, in combination with greater product accessibility, creates a growing market for self-care products with a medical profile. A greater focus on maintaining a young and healthy appearance is also a driving force behind an increase in use of dermatological products. Public authorities are also contributing to growth in the self-care sector by successively reducing subsidies and encouraging the health industry to provide OTC pharmaceuticals for simpler ailments. We believe a growing share of dermatological products will be sold without subsidies and that the OTC market is set to grow in the coming years. Moberg Derma is well positioned to capitalize on this trend, as several of the company's products have significant potential for OTC sales.

"Consolidation and structural transformation is creating interesting business opportunities"

GROWTH AND CONSOLIDATION

Growth in the pharmaceutical market, including the dermatology market, is mainly expected to come from BRIC-countries (Brazil, Russia, India and China). Mexico, South Korea and Turkey are also considered growth markets for dermatology. These seven countries account for around 13 percent of the global drug market, with an estimated annual growth rate of 12 percent over the next few years.[2]

Consolidation continues in the dermatology sector. In 2011, several large deals were carried out including Valeant Pharmaceutical's acquisition of the assets of Graceway Pharmaceuticals and Dermik. Meda acquired our Nordic partner Antula Healthcare and Nycomed's U.S. dermatology division became an independent company following Takeda's acquisition of Nycomed.

We believe that the dermatology market offers specialists such as Moberg Derma good opportunities to create value. The need for new innovative products is considerable in a number of indications, for both pharmaceuticals and self-care products. Opportunities are also being created by the ongoing restructuring of the market.

2) AstraZeneca, Emerging Market Event, presentation, March 2010

SALES SURPASSED EXPECTATIONS IN 2011

In 2011, Nalox™ strengthened its market leading position in the Nordic region, laying the foundation for international expansion and continued growth through additional distribution agreements.

SALES THROUGH DISTRIBUTORS

For sales through distributors, Moberg Derma is responsible for the manufacture and delivery of the finished product, while the distributor is responsible for, and funds, the sales and marketing activities. Moberg Derma's marketing division's main task is to provide distributors with support in regards to product and market strategy, positioning and marketing collateral.

The distributor's marketing efforts target patients, pharmacies and physicians. As Moberg Derma's current product offering is OTC, consumer marketing through the TV and other media is important. The marketing mix differs from market to market depending on to what degree patients make decisions themselves versus in consultation with physicians or pharmacists. For example, physicians in southern Europe have a much greater influence on a patient's choice of OTC pharmaceuticals than in Scandinavia.

IN 2011, NALOX™ STRENGTHENED ITS MARKET LEADING POSITION IN THE NORDIC REGION

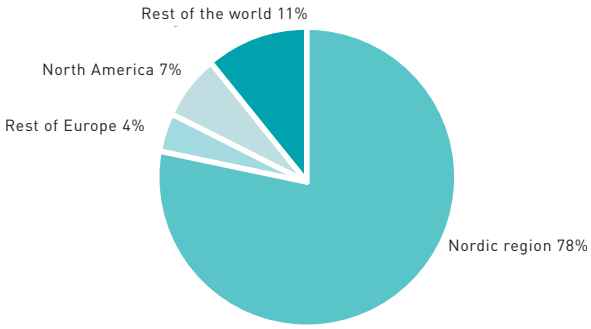
The company's main product is Nalox™, for the treatment of nail damage caused by nail fungus or psoriasis. Nalox™ was initially launched by Meda OTC (Antula Healthcare at the time) in autumn 2010 in Sweden, Norway, Denmark and Finland. The launch in the Nordic region surpassed all expectations, strengthening the product's market leading position. Nalox™ is available at most pharmacies in the Nordic region and is marketed primarily through TV commercials.

"The launch in the Nordic region surpassed all expectations and Nalox™ strengthened its market leading position"

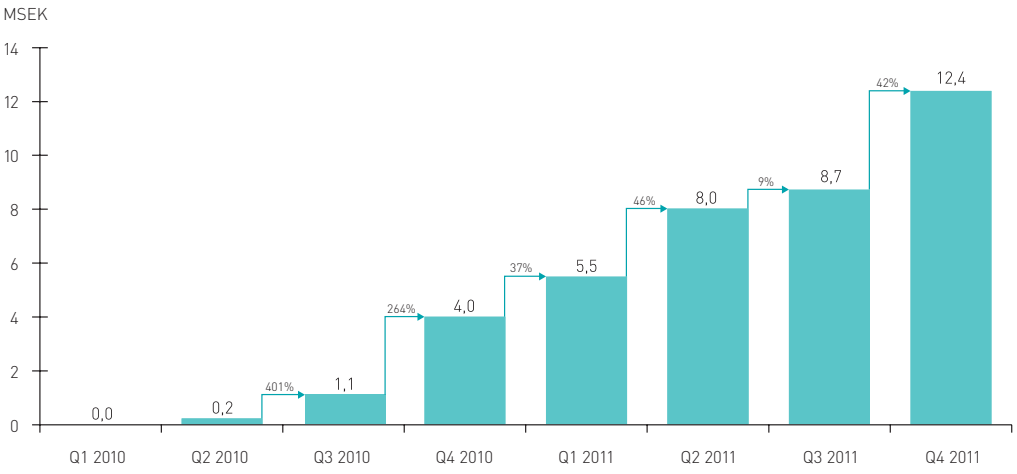
INTERNATIONAL LAUNCHES

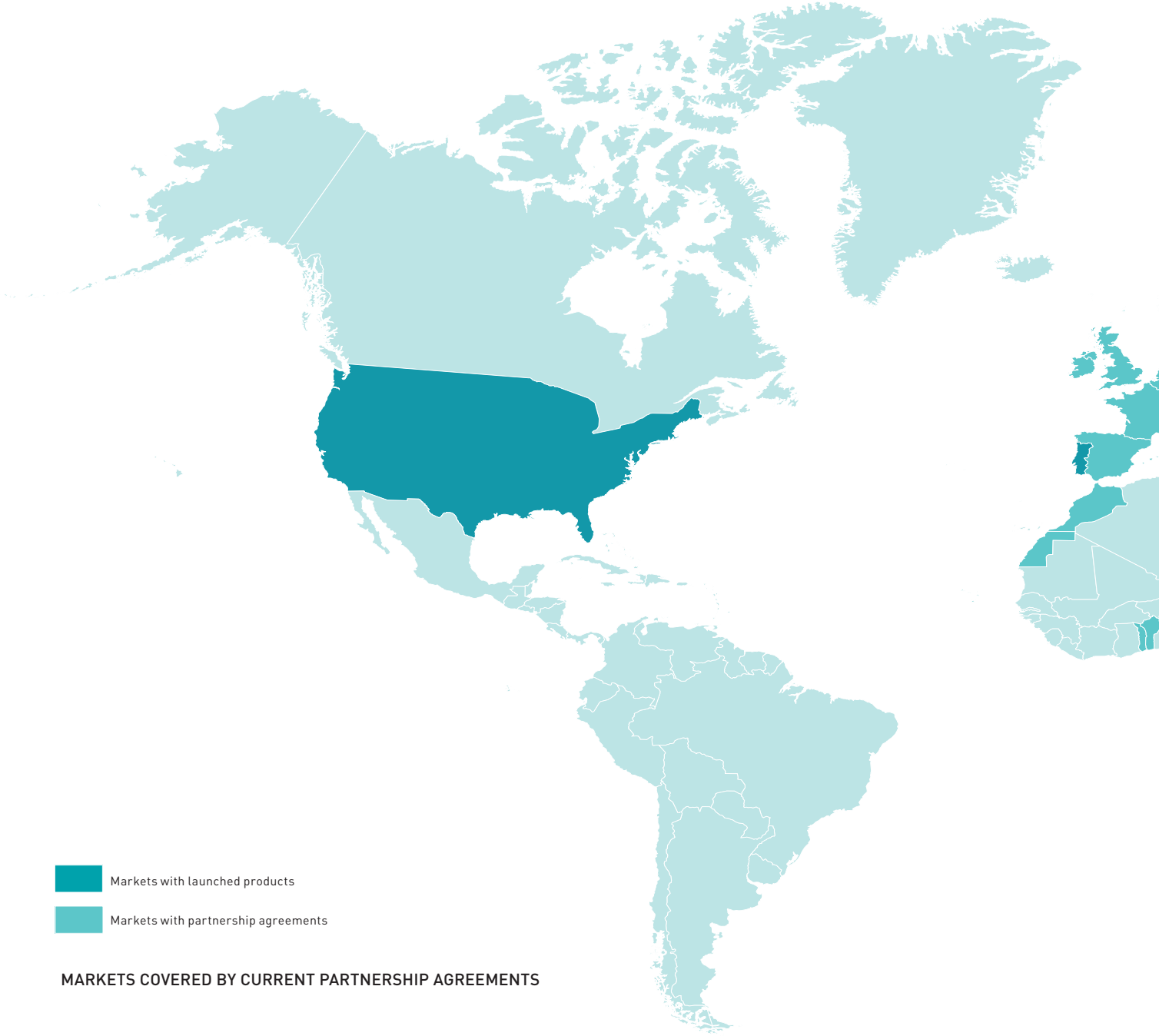
International launch efforts commenced in 2011 and by the year-end Nalox™/Emtrix® had been launched in eight markets. In addition to the Nordic countries, these included the U.S., Australia, Switzerland and Portugal. In 2011, sales in the Nordic region accounted for almost 80 percent of the company's total product revenue.

GEOGRAPHIC BREAKDOWN OF PRODUCT REVENUE 2011



NALOX™/EMTRIX® – TOTAL PRODUCT SALES PER QUARTER 2010 – 2011, MSEK





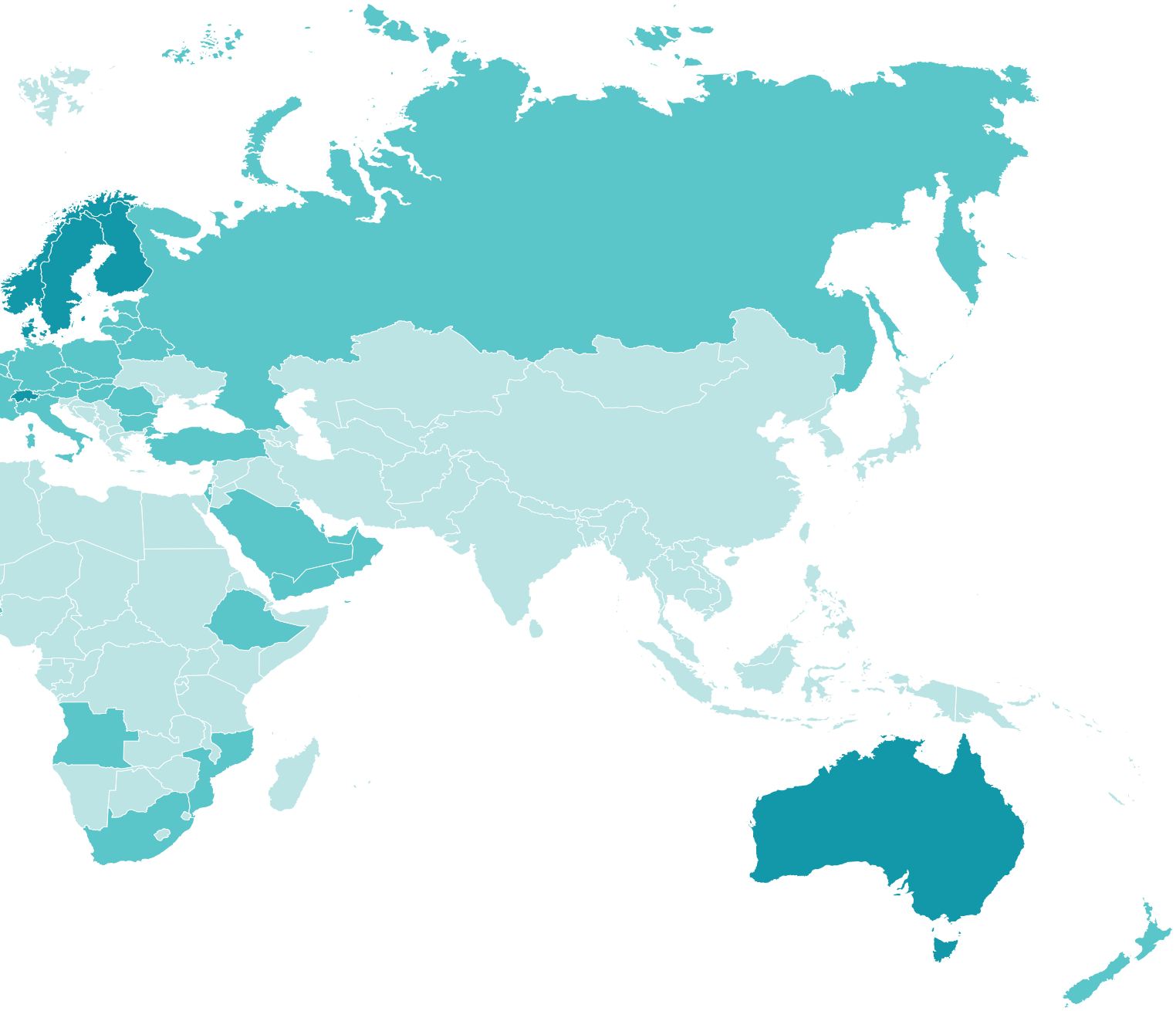
MARKETS COVERED BY CURRENT PARTNERSHIP AGREEMENTS

GOOD PROSPECTS FOR INTERNATIONAL EXPANSION AND CONTINUED GROWTH

At year-end 2011, Moberg Derma had partners covering some fifty markets of which the most important markets are the Nordic region, the 'big-five' EU countries, as well as the U.S., Russia, Turkey and Australia. In 2011, we expanded the number of distributors and markets covered by our distributors. Our most important partnership to date is with Meda OTC, which was expanded during the year and now encompasses markets representing some 550 million inhabitants. Through our contract with Menarini for Italy, we now count two of the world's 50 largest pharmaceutical companies as partners.

"Meda OTC is now launching Nalox™ internationally after its success in the Nordic region"

In the U.S. is estimated that between 30 and 40 million Americans suffer from discolored and damaged nails. The agreement with our American partner Alterna comprises the co-funding of marketing activities and regulates how net income should be distributed. The U.S. launch was initiated at the end of the year, through major chains such as CVS, RiteAid and Walmart.



DISTRIBUTOR	MARKET	LAUNCH
Meda OTC	22 countries, including Germany, France, Spain, the U.K., Russia, Poland, Turkey and the Nordic region	Launched autumn 2010 in the Nordic Region Additional launches planned 2012
Alterna LLC	USA	Launched 2011
Gebro Pharma AG	Schweiz and Lichtenstein	Launched 2011
Laboratorio EDOL Produtos Farmaceuticos S.A.	Portugal and certain countries in Central America, Africa and the Caribbean	Launched 2011
OzHealth Pharma	Australia and New Zealand	Launched 2011
Menarini Group	Italy	Launch planned 2012
Perrigo Company	Israel	Preparations ongoing
Pharma Ventures MENA FZE	Middle East	Preparations ongoing
Pharmaplan (Pty) Ltd.	South Africa	Preparations ongoing

LAUNCHED PRODUCTS

NALOX™/ EMTRIX® – A NEW WAY OF TREATING NAIL DISEASE

Nail fungus (onychomycosis) is the most common disease of the nails, with over 100 million patients in the western world. Nalox™ gives these patients access to a new treatment alternative that offers significant benefits, as shown in several clinical trials involving more than 600 patients.

"Nail fungus is contagious, effecting around ten percent of the population. Prevalence increases with age – about 25 percent are affected among those over 50's"

Nalox™ is a topical treatment for nails that have been discolored or damaged by nail fungus or nail psoriasis. Efficacy and safety have been documented in a comparative clinical study involving 493 patients and in a number of other smaller studies. In 2011, a follow up trial on 75 patients was conducted and published, further documenting the product's rapid effect. Nalox™ produces visible improvements in as little as two to four weeks.

Nalox™ is registered as a medical device product and the company is therefore authorized to market the product in the EU/EEA. Nalox™ is sold as an OTC pharmaceutical under the name Emtrix® in certain markets as well as Cremolan® in Switzerland and Kerasal® Nail in the U.S.[3]

INDICATION AND PATIENT NEEDS

Nail fungus is the most common cause of nail problems. It is difficult to treat and treatment periods are often long, as it takes months for a healthy nail to grow out.[4] Nail fungus is normally caused by dermatophytes, primarily *Trichophyton rubrum*. The fungal infection can affect toenails as well as fingernails and the main symptoms are a thickening and discoloration of the nails. The existing treatment alternatives for nail fungus consist of various anti-fungal pharmaceuticals such as *terbinafine* or *itraconazole* in tablet form, or topical treatment using *amorolfine* or *ciclopirox* in a nail lacquer form.

Tablet treatment is relatively efficacious, but involves the risk of severe adverse reactions, such as gastric and liver problems and negative interaction with other pharmaceuticals, while existing topical treatments are considered to have a limited efficacy. There is major need for a new, effective and easy-to-administer topical treatment with a favorable side effect profile.

"Fast acting – visible improvements in two to four weeks"

THE MARKET FOR TREATMENT OF NAIL FUNGUS AND NAIL PSORIASIS

The total market for nail fungus is estimated at greater than USD 1.4 billion. Nail fungus is a common and contagious disease with an estimated prevalence of about ten percent.[5] Prevalence among the over 50's is estimated to exceed 25 percent.[6] The prevalence

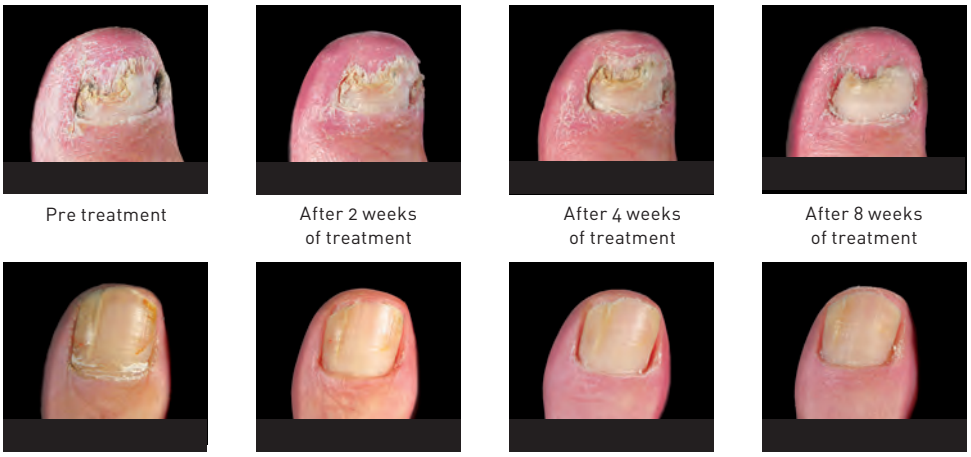
3) The Kerasal®, Cremolan® and Nalox™ trademarks are owned by the company's partners and Moberg Derma has no ownership rights to these trademarks.

4) Around six months for a fingernail and around twelve months for a toenail

5) Treatment of dermatomycoses. Information from Läkemedelsverket, the Swedish Medical Products Agency 6:2004, 2004

6) Gupta et al; International Journal of Dermatology, October 1997

EFFECT OF EMTRIX® AFTER 2, 4 AND 8 WEEKS.



Pre treatment | After 2 weeks of treatment | After 4 weeks of treatment | After 8 weeks of treatment

Photographs from a clinical study 2010.

of psoriasis varies significantly around the world, with estimates ranging from 2–4 percent in northern Europe, 1–2 percent in the United States and significantly lower figures in Asia.[7] About 40 percent of all patients with psoriasis experience changes in the appearance of their nails.[8]

CLINICAL DATA

The company has conducted several clinical trials which show that Nalox™ has a good efficacy and side effect profile. In 2008, a clinical phase III study was conducted which showed that significantly more patients had their fungal infection cured after six months of treatment with Nalox™ compared with patients receiving a placebo. The primary efficacy variable in the study was mycological cure, which means that fungal culture and microscopy must be negative. Patients' subjective evaluation of the treatment effect also showed a clear advantage for Nalox™.

In autumn 2010, a clinical study was conducted on 75 patients with nail fungus to further document the product's effect with a focus on the rapid onset observed in previous trials. The study, which was published in 2011[9] showed that 92 percent of patients experienced an improvement after eight weeks of treatment. Already after two weeks an improvement was seen in 77 percent of patients.

"92 percent of patients treated with Nalox™ experienced an improvement"

KAPROLAC®

Kaprolac® is a skin care range for the treatment of dry and flaky skin, including dandruff. The product is based on the Kaprolac principle developed by Swedish dermatologist Dr. Sven Moberg. Good efficacy and a favorable side effect profile have been demonstrated in several clinical trials involving more than 400 patients in total[10].

Dry skin is a common disorder, especially for patients with atopic dermatitis. In developed countries Atopic dermatitis has a prevalence of 15–30 percent among children and 2–10 percent among adults.

Kaprolac® has a number of advantages
- Clinically proven emollient and keratolytic effect
- Proven compounds with documented safety
- Biologically degradable substances, and free of preservatives [9]

In 2011, the product was launched in Switzerland through pharmacies by the company's distributor Gebro Pharma. Kaprolac® anti-dandruff products were also sold in Sweden in 2011 via a distributor specialized in hairdressing salons. This collaboration was not successful and was therefore terminated.

7) Treatment of Psoriasis; Läkemedelsverket, the Swedish Medical Products Agency 5:2006, 2006

8) Augustin M et al; British Journal of Dermatology, April 2010

9) Journal of Cosmetics, Dermatological Sciences and Applications, Vol. 1 No. 3, 2011.

10) Mycoses, Treatment of seborrhoeic dermatitis of the scalp with a topical solution of urea, lactic acid, and propylene glycol (K301): results of two double-blind, randomised, placebo-controlled studies, October 4, 2011

PRODUCT DEVELOPMENT

Moberg Derma works with proven pharmaceutical compounds, i.e. compounds already approved for use in registered products. As development is based on proven compounds, previous documentation can be used, which substantially reduces time to market, development costs and risks.

Time to market can, for example, be reduced by using less extensive trials, or because projects, thanks to existing documentation on the compounds, can proceed directly to clinical phase II. Moberg Derma is working on topical preparations that mainly have a local effect. This simplifies development projects compared to oral preparations, which may affect many organs in the body.

"Innovative formulations or combinations of proven compounds reduce development risk and facilitate shorter time to market."

PATIENT NEED AND CONCEPT

Moberg Derma's development activities are based on insight into a pressing medical need and inadequacies in existing treatments, such as insufficient efficacy, significant side effects, complex treatment or long treatment times. Focusing on market needs, a medical and pharmaceutical concept for improved products is developed, based on Moberg Derma's profound expertise in pharmacology and formulation technology, especially in topical preparations and drug delivery technologies which enhance pharmaceutical application and absorption through the skin. This expertise is combined with know-how in clinical development, registration, commercial skills and business strategy to define a target profile for development work.

The company is continuously searching for new concepts and technologies from external researchers and companies which complement internal ideas – "search and develop" instead of "research and develop". This strategy means that Moberg Derma avoids the costly and time-consuming preclinical discovery phase and the higher development risk involved in traditional drug development.

PHARMACEUTICAL AND PRECLINICAL DEVELOPMENT

The company's development work focuses initially on pharmaceutical development – on developing and testing an optimal formulation, which delivers the active compound to the right place in the skin or the rest of the body. Development work is guided by the target profile approved by the project's steering group. Developed candidate formulations are tested in preclinical models, for example with respect to bioavailability, stability and biological activity. The goal of this phase is to develop a product candidate based on the target profile that can be tested and documented in the clinical development phase.

Alongside the preclinical development activities, and in close collaboration with external patent agents, the company refines its patent strategy. Data and assessments are produced to assess patentability and avoid infringement of existing patents. When the final product candidate has been defined further patent applications may be submitted in some cases.

THE ROAD TO REGISTRATION

Moberg Derma's drug development based on proven compounds and topical treatments

Typical development costs:
MSEK 25–150
Development time approx. 5–8 years

Drug development based on new compounds

Typical development costs:
BSEK 10[1]
Development time approx.
12 –13 years[1]

[1]The Swedish Life Science Organization. Costs also include failed projects

CLINICAL DEVELOPMENT

The purpose of clinical development is to generate documentation showing the efficacy and safety of the product candidate. Existing documentation can be used for proven compounds, which normally reduces the number and scope of the trials that need to be conducted. This has a crucial impact on the difference in development time and cost (see the diagram above).

The company's clinical strategy is designed in close collaboration with medical specialists in each disease area. The execution of the trials are normally outsourced to contract research companies, although Moberg Derma always retains control over strategic decisions and general project management.

REGISTRATION

To obtain marketing authorization, applications for registration are submitted to relevant pharmaceutical regulators. Applications for registration of proven compounds are less extensive, as existing documentation on the compounds can be cited.

SCIENTIFIC ADVISORS

Moberg Derma collaborates with several scientific advisors including: Professor Eggert Stockfleth, Director Skin Cancer Center, Charité University Hospital Berlin, Professor Mona Ståhle, Senior Physician at the Department of Dermatology and Venereology at the Karolinska University Hospital, Professor Jan Faergemann, Senior Physician at the Department of Dermatology at the Sahlgrenska University Hospital, Professor Howard Maibach, University of California in San Francisco, Professor Lennart Emtestam, Senior Physician at the Department of Dermatology and Venereology at the Karolinska University Hospital and Johan Heilborn, Senior Physician and head of the Tumor section at the Department of Dermatology and Venereology at the Karolinska University Hospital.

ONGOING DEVELOPMENT PROJECTS

Moberg Derma's pharmaceutical development projects at development phase include the following indication areas: nail fungus (onychomycosis), actinic keratosis, basal cell carcinoma and genital warts, as well as atopic dermatitis. The company has two ongoing development projects at clinical phase, which are presented in more detail in the coming pages.

NEW DEVELOPMENT PROJECTS

In addition to development projects at a clinical phase, the company has developed immaterial property rights that may facilitate the development of a number of new products in new disease areas. The company continuously evaluates new product candidates.

PROJECT	INDICATION	CLASS	STATUS
MOB-015	Nail fungus	Pharmaceutical	Phase II
Limtop	Actinic Keratosis (carcinogemic sun damage)	Pharmaceutical	Phase I

PATENTS AND TRADEMARKS

Moberg Derma continuously strives to expand and strengthen the company's technology base and patent protection through patenting, licensing and acquisitions. Internal expertise teams up with external patent lawyers in our work with applications, maintenance and defense of patents and trademarks.

PATENT

Moberg Derma's patent rights cover three technologies and comprise nine patent families. The patent families include 16 national patents in designated countries in Europe, as well as the U.S. and Canada. In addition, the company holds a number of international and national patent applications.

The company's patent work is headed up by the company's patent manager, implementing the company's patent strategy in close cooperation with reputable Swedish and international patent attorneys. For each product and project, news and data searches are performed repeatedly to establish a basis for assessments of patentability and freedom-to-operate (independently of patents held by other parties).

TRADEMARKS AND DOMAIN NAMES

Moberg Derma is currently the holder of several trademarks, including Emtrix® and Kaprolac®. In addition to the domain names www.mobergderma.se and www.mobergderma.com, Moberg Derma also owns primary domain names related to the company's trademarks.

The company's partners own the trademarks Nalox™ in the Nordic region, Kerasal® in the U.S. and Cremolan® in Switzerland, trademarks to which Moberg Derma has no ownership rights.

MOB-015 – NEXT GENERATION NAIL FUNGUS PHARMACEUTICAL

MOB-015 has the potential to become the first topical preparation that is capable of producing an equivalent or better efficacy than tablet treatment – without the risk of serious side effects. MOB-015 is based on a patent-pending formulation technology that transports high concentrations of the antifungal agent terbinafine through the nail. A clinical phase II study is currently ongoing.

"MOB-015 is based on a combination of the technology behind Nalox™ and a new drug delivery technology. The aim is to achieve faster visible improvement and significantly better effect than competing topical products."

MOB-015 is a topical preparation of terbinafine for the treatment of nail fungus. The company's patent-pending formulation technology enables high concentrations of the antifungal agent terbinafine to pass into and through the nail tissue. The high concentration of terbinafine combined with the keratolytic and softening effect, which has been shown to be so effective in Nalox™, makes it possible to achieve a better efficacy than competing products.

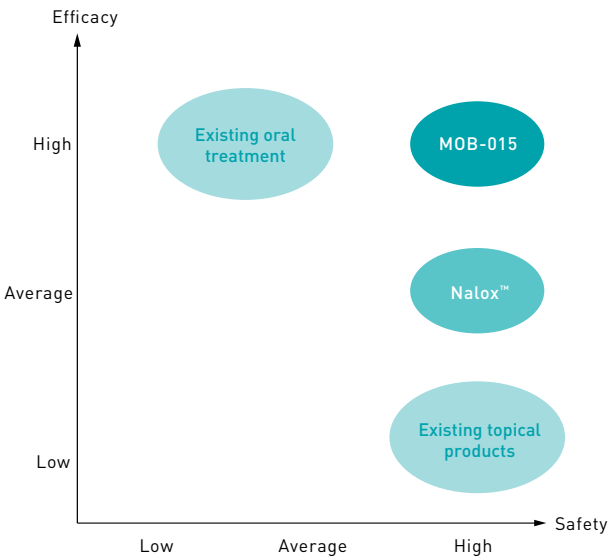
INDICATION AND PATIENT NEEDS

Nail fungus is hard to treat and the treatment period is often long as it takes months for a healthy nail to grow out.[11] Nail fungus is normally caused by dermatophytes, primarily *Trichophyton rubrum*. The fungal infection can affect toenails as well as fingernails and the main symptoms are a thickening and discoloration of the nails. The existing treatment alternatives for nail fungus are *terbinafine* or *itraconazole* in tablet form, or topical treatment using *amorolfine* or *ciclopirox* in a nail lacquer form.

11) Around six months for a fingernail and twelve months for a toenail.

Tablet treatment is relatively efficacious, but involves the risk of severe adverse reactions, such as gastric and liver problems and negative interaction with other pharmaceuticals, while existing topical treatments are considered to have a limited efficacy. There is major need for a new, effective and easy-to-administer topical treatment with a favorable side effect profile.

TARGET PROFILE FOR MOB-015 COMPARED TO COMPETITORS



THE MARKET FOR THE TREATMENT OF NAIL FUNGUS

The total market for nail fungus treatment is estimated to be worth more than USD 1.4 billion. Nail fungus is a common and contagious disease with an estimated prevalence of about 10 percent.[12] Among over 50's the prevalence is estimated to exceed 25 percent.[13]

ACTIVE COMPOUND

MOB-015 contains the active substance terbinafine. Terbinafine, developed by Novartis, is off-patent and the most widely used and potent agent against dermatophyte infections. The compound is an allylamine, a family of compounds which block the activity of the enzyme *squalene epoxidase*, which plays a central role in the synthesis of fungal cell membranes. Terbinafine is administered in tablet form for the treatment of nail fungus and other fungal infections of the skin, and topically in a cream/gel such as for athlete's foot. There is currently no approved topical product with terbinafine for nail fungus on the market.

STATUS AND PRECLINICAL RESULTS

In preclinical studies on human nails MOB-015 achieves concentrations of terbinafine in the nail that are one thousand times higher than what has been measured in oral treatment.

In autumn 2011, 237 patients were recruited for an ongoing open phase II trial. The purpose of the trial is to evaluate treatment with MOB-015 for three and nine months, respectively, and to validate the product concept and to provide documentation in preparation for further trials. The patients were followed for 12 months and the company applied the endpoints normally accepted for the indication by the FDA, EMA and other relevant authorities.

The final data from the ongoing clinical phase II trial will be compared to available data on the efficacy of oral treatment and with data for other topical products. The primary objective of this trial is to demonstrate higher healing rates than with existing topical products.

"In preclinical studies MOB-015 achieves concentrations of terbinafine in the nail that are one thousand times higher than what has been measured in oral treatment"

In February 2012, the company established that mid-term results from around half of the patients did not develop as expected and that further studies are likely to be required before licensing and phase III trials. The ongoing phase II trial is scheduled for completion before the end of 2012. In parallel with the completion of the study, the company will have access to additional data, facilitating the identification of possible product enhancements.

12) Treatment of dermatophytes. Information from Läkemedelsverket, the Swedish Medical Products Agency 6:2004, 2004
13) Gupta et al; International Journal of Dermatology, October 1997

LIMTOP – CARCINOGENIC SUN DAMAGE IS BECOMING INCREASINGLY COMMON

Limtop has been shown to have 50 times greater capacity than existing preparations to transport the active compound imiquimod to the skin. The aim is to develop a product with a short treatment time and a significantly better side effect profile demonstrating equivalent efficacy, compared to current treatments available for actinic keratosis.

Limtop is a topical treatment for actinic keratosis (or solar keratosis) and may also be developed for the treatment of genital warts and basal-cell carcinoma. Limtop is based on a patent-pending formulation of imiquimod, resulting in optimal dosage being transported to the target site in the skin. The mechanism of action is designed to repel damaged cells through a local immunological and inflammatory reaction.

INDICATION AND PATIENT NEEDS

The company has chosen the indication area actinic keratosis, as the first medical indication for Limtop.

Actinic keratosis is a type of sun damage characterized by a thickening of the cornified layer of the epidermis. The condition has become increasingly common due to changing lifestyles and increased exposure to strong sunlight. Actinic keratosis can develop into squamous-cell carcinoma and should therefore be treated.

There is a major need for improved imiquimod products with a better side effect profile and shorter treatment time. Side effects comprise severe local skin reactions (sores, inflammation and pain) among a large proportion of patients and systemic side effects with influenza-like symptoms[14].

The use of imiquimod on sensitive areas of skin such as genital warts is also significantly limited by the side effect profile.

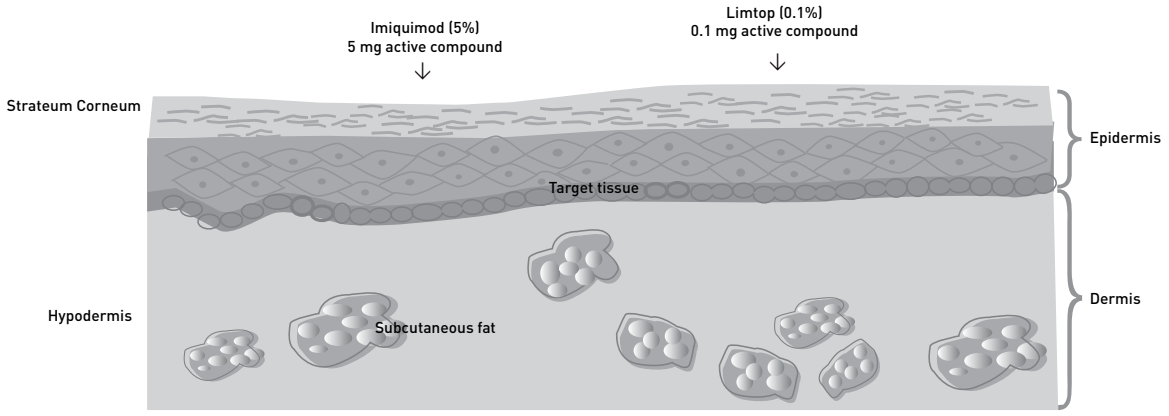
"An optimal dose of the active compound is transported through the skin, aimed at reducing side effects"

THE MARKET FOR THE TREATMENT OF ACTINIC KERATOSIS

The market for treatment of actinic keratosis, basal-cell carcinoma and genital warts is estimated to be worth more than MUSD 700. With sales of MUSD 430 in the United States and Europe in 2009 (before the patent expired), Imiquimod is the market-leading substance for treatment of actinic keratosis.

14) FDA official information (www.drugs.com)

COMPARISON BETWEEN LIMTOP AND IMIQUIMOD 5%



Concentration/amount of Limtop and Imiquimod 5%, respectively, which needs to be applied to the skin to achieve the same amount of the active compound in the target tissue.

The prevalence of actinic keratosis varies from country to country, as fair-skinned individuals are affected to a greater extent. The condition has become increasingly common due to changing lifestyles and increased exposure to the sun. Among populations in the northern hemisphere the prevalence is reported to be 11–25 percent, and in Australia prevalence is estimated at 40-60 percent among the adult population.[15] Actinic keratosis is most frequent among the older population and among men.

Changes in lifestyle over the past thirty years (sun holidays and solariums) have brought about greater exposure to strong UV radiation, increasing the risk of skin lesions and skin cancer. Skin cancer is the most common form of cancer in Sweden, causing many deaths – 500 in 2010[16], compared to 270 in traffic accidents. The number of new cases of actinic keratosis in Sweden is estimated at 100,000 annually, with prevalence expected to rise in the coming years.

Imiquimod is also used in treatment of basal-cell carcinoma and genital warts. Over one million cases of basal-cell carcinoma are reported each year in the U.S. and EU, with men accounting for a larger share. For the genital warts segment an incidence of 0.2–0.4 percent per year is reported.

COMPETITIVE SITUATION

Current topical treatments, of which imiquimod is a leading substance, mainly comprise of creams containing active compounds which activate the body's immune system and repel the damaged skin layers. Mechanical procedures such as scraping or freezing as well as photodynamic therapy are also used. Currently Aldara® (5 percent imiquimod) is the leading product for actinic keratosis.

COMPETITIVE ADVANTAGE

The aim of Moberg Derma's product development is to design a product with the following unique competitive advantages over other available products based on imiquimod:

- Significantly reduced side effects – which allows for field treatment over larger areas and providing opportunities for increased use in primary care.
- Shorter treatment time (up to two weeks)
- Fewer doses
- Equal or higher efficacy

The main rival compounds contain 5 percent imiquimod. In pre-clinical trials, Limtop's patent-pending formulation has demonstrated significantly better penetration properties than treatment with 5 percent imiquimod, allowing a more precise delivery of the active compound, (see graphic above).

15) Frost CA, Green AC; British Journal of Dermatology, October 1994
16) Strålskyddsmyndigheten, 2011:14, Report from the SSM's scientific advisory board on ultraviolet radiation 2010

In preclinical trials conducted by Moberg Derma, Limtop has been shown to have 50 times greater capacity than preparations containing 5 % imiquimod in transporting the active compound to the skin (epidermal basal layer). As the thickness and status of the skin barrier varies, the amount of the active compound reaching the target tissue in treatments with imiquimod can vary significantly.

In theory, the administered amount can vary from 0 to 5 mg when using imiquimod 5%, while use of Limtop limits the variation between 0 and 0.1 mg, as Limtop is administered in significantly lower concentrations than treatments with 5 % imiquimod.

The company's researchers and scientific advisors believe that the demonstrated reduction in variability may be of major clinical importance. Greater precision makes it possible to administer a sufficient dose with a lower variation, thus avoiding underdosing and overdosing. The technology may also lead to significantly shorter treatment time, fewer side effects and equivalent or better efficacy.

The improved safety margin with 0.1 % instead of 5 % imiquimod, allows treatment over larger areas (field treatment), which is requested by dermatologists today as many actinic keratosis changes are not visible to the eye. With a current permissible total treatment surface of 25cm^2 for 5% imiquimod, Limtop aims at treating surfaces up to 100 cm^2, significantly increasing the efficacy of the treatment.

ACTIVE COMPOUND

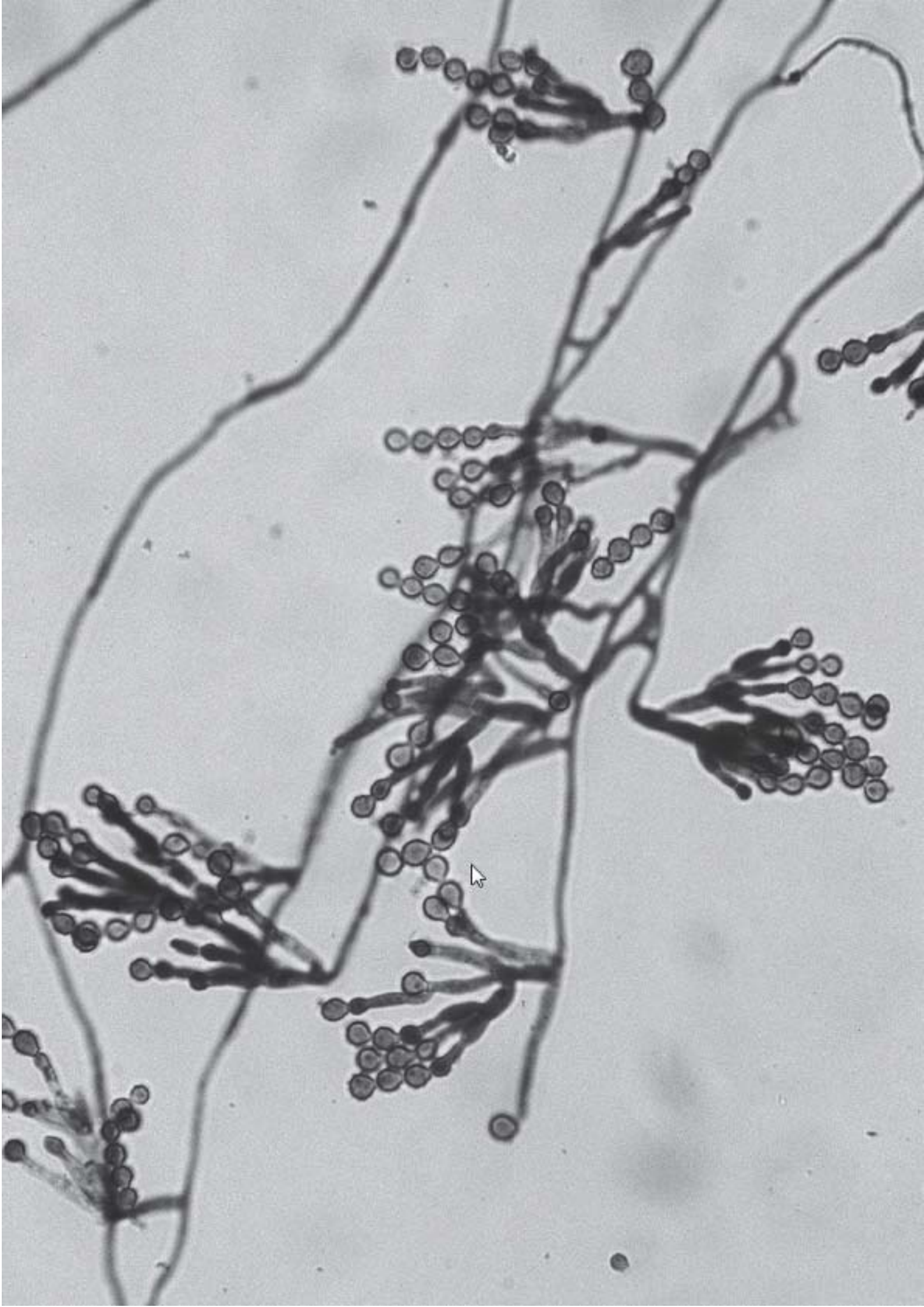
Imiquimod is an immunomodulating substance believed to activate the immune system to reject diseased cells in superficial forms of abnormal cell growth, such as warts, actinic keratosis and skin cancer. Imiquimod's patent protection has expired in the U.S. and some countries in Europe, but remains in effect until 2013 in some countries such as Germany.

"The technology may lead to a better product with shorter treatment time and significantly fewer side-effects."

STATUS AND PRECLINICAL RESULTS

The company has conducted comparative preclinical *in vitro* experiments which show that Limtop has a significantly better ability to transport imiquimod through the barrier in the epidermis *(stratum corneum)* than imiquimod. The improved penetration enables the delivery of a more precise dose to the target tissue, which increases the probability of an efficacious and safe treatment.

A clinical phase I trial on actinic keratoses is ongoing. Provided that phase I results will be positive, we expect to initiate phase II in 2012 and that phase II results should be available in the first half of 2013.



FINANCIAL INFORMATION

FINANCIAL OVERVIEW 2007–2011

A five-year financial overview of the company's operations is provided below. Amounts are stated in thousands Swedish Krona – (KSEK) unless otherwise stated. Amounts and figures in parentheses refer to comparative figures for the corresponding period of the preceding year. As Moberg Derma was not a group in 2007, comparative information in the consolidated accounts for the parent company has been converted to IFRS.

FROM THE STATEMENT OF COMPREHENSIVE INCOME	**2011**	**2010**	**2009**	**2008**	**2007**
Revenue	55,943	8,512	1,616	0	0
Gross profit/loss	39,313	5,663	1,616	0	0
Operating profit/loss	–7,598	–30,119	–24,276	–36,701	–21,924
Profit/loss for the year	**–6,384**	**–31,031**	**–24,235**	**–35,341**	**–21,382**
FROM THE STATEMENT OF FINANCIAL POSITION					
Non-current assets	755	683	669	779	415
Inventory	1,239	244	0	0	0
Current receivables	16,407	8,694	1,550	1,604	1,639
Cash and bank	74,052	2,761	33,078	20,203	35,083
Total assets	**92,453**	**12,383**	**35,297**	**22,586**	**37,137**
Equity	76,787	688	30,209	15,230	29,808
Long-term liabilities	0	150	303	678	240
Current liabilities	15,666	11,545	4,785	6,679	7,088
Total equity and liabilities	**92,453**	**12,383**	**35,297**	**22,586**	**37,137**
FROM THE STATEMENT OF CASH FLOWS					
Cash flow from operating activities	–9,020	–30,412	–25,258	–34,891	–16,633
Cash flow from investing activities	–535	–159	–23	–446	–343
Cash flow from financing activities	80,846	254	38,156	20,457	47,829
Cash flow for the period	**71,291**	**–30,317**	**12,875**	**–14,880**	**30,854**
KEY FIGURES					
Net receivables	73,902	2,421	32,466	19,393	34,843
Debt/equity ratio	0%	49%	2%	5%	1%
Equity/assets ratio	83%	6%	86%	67%	80%
Return on equity	–8%	–4,512%	–80%	–232%	–72%
Research and development cost	–26,808	–18,992	–15,706	–26,186	–15,716
Personnel expenses	–19,075	–15,464	–13,315	–10,639	–7,128
Number of employees at end of period	15	12	10	11	8
Share data					
Basic/diluted earnings/loss per share (SEK)*	–0.82	–5.08	–4.45	–7.39	–6.27
Operating cash flow per share (SEK)*	–0.99	–4.97	–4.14	–7.14	–3.89
Equity per share (SEK)	8.46	0.11	4.96	3.12	6.97
Dividend per share (SEK)	0	0	0	0	0
Number of shares at the year-end	9,079,020	6,113,988	3,047,099	2,443,884	2,138,427
Average number of shares	7,781,910	6,109,041	2,723,398	2,392,975	1,704,958

*Values for 2007–2009 have been adjusted for a bonus issue to ensure comparability with figures for 2011.

Definitions of key figures

Net receivables	Cash and cash equivalents less interest-bearing liabilities
Debt/equity ratio	Interest-bearing liabilities in relation to shareholders' equity
Equity/assets ratio	Shareholders' equity at year-end in relation to total assets
Return on equity	Loss for the year divided by equity
Earnings per share	Profit after tax divided by the average number of shares outstanding
Operating cash flow per share	Cash flow from operating activities divided by number of shares outstanding at the end of period
Equity per share	Equity divided by the number of outstanding shares at the end of the period

THE BUSINESS

The Board of Directors and Chief Executive Officer of Moberg Derma AB (publ), corp. reg. no. 556697-7426, hereby present the annual report and the consolidated financial statements for the January 1, 2011 to December 31, 2011 financial year.

OPERATIONS

Established in 2006, Moberg Derma is a Swedish pharmaceutical company that develops and commercializes medical products for the treatment of common skin diseases and diseases in related areas. Moberg Derma focuses on innovative products based on proven compounds, which limits the company's development risk.

COMPANY INFORMATION

Moberg Derma is a limited liability company registered in Stockholm, Sweden. The group's operations are conducted primarily in Sweden. The office's address is Gustavlundsvägen 42, 5tr, SE-167 51 Bromma. The group consists of the parent company, Moberg Derma AB (publ), corp. reg. no. 556697-7426, and its wholly owned subsidiary Moberg Derma Incentives AB, corp. reg. no. 556750-1589. The sole business conducted by the subsidiary is administration of Moberg Derma's employee stock option programs. Consolidated financial statements have been submitted from 2008 and onwards.

RESULTS AND FINANCIAL POSITION

Results

Consolidated revenue for 2011 was MSEK 55.9, compared to MSEK 8.5 the previous year, an increase of MSEK 47.4. MSEK 34.6 (5.3) of revenue was product sales. Sales of Nalox™ in the Nordic region were MSEK 27.1, which is 78 percent of the company's total product sales during the year. The company also received MSEK 21.4 in milestone payments during the year, compared to MSEK 3.2 the year before.

The cost of goods sold was MSEK 16.6, of which royalty payments accounted for MSEK 2.6, and non-recurring costs of MSEK 0.9 in conjunction with the establishment of a new manufacturer. In 2010, the consolidated cost of goods sold was MSEK 2.8.

Operating expenses, excluding cost of goods sold, was MSEK 50.4 for 2011, compared to MSEK 38.6 the year before. The largest operating expense item was research and development costs, which in 2011 amounted to MSEK 26.8 (19.0), of which external R&D expenses and subcontractors accounted for MSEK 18.6 (12.7). The ongoing phase II-trial for MOB-015 constituted the largest single cost item in the period and represents a large portion of the increase in research and development expenses compared to 2010.

Consolidated loss after net financial items was MSEK 6.4 in 2011, compared to a loss of SEK 31.0 for 2010. The improvement in results is primarily attributed to an increase in sales revenue from Nalox™ and milestone payments from contracts despite higher research and development costs during the January to December period 2011, compared to the same period in 2010.

The financial year 2011 was not charged with any tax expenses due to the negative results. The company has outstanding loss carryforwards of MSEK 120.8.[17]

Capital investments

In 2011, the company invested MSEK 0.5 in property, plant and equipment, compared with MSEK 0.2 the year before. Moberg Derma also has expenses for research and development, which are recognized directly in the statement of comprehensive income.

Liquidity and financial position

To date, Moberg Derma's operations have largely been financed by shareholder contributions through new issues and from revenue generated by product sales. Going forward, investments are expected to be financed by existing funds and revenue from product sales. At the year-end, the equity/assets ratio was 83 percent (6 percent). In 2011, the company had a negative cash flow of MSEK 9.0 compared to a negative cash flow of MSEK 30.4 the year before. Cash and cash equivalents amounted to MSEK 74.1 at the end of the year compared to MSEK 2.8 at the end of 2010.

KEY EVENTS IN 2011

License- and distribution agreements in Europe, the U.S. and Australia

- In September, Moberg Derma entered into a licensing agreement with Meda AB for the marketing of Nalox™. The contract encompasses several major countries in Europe such as Germany, France, Spain, the U.K., Austria, the Netherlands and Belgium. Previous distribution agreements covering Spain and the U.K. were terminated. As compensation for exclusive rights, Meda will pay a total of MSEK 32, of which MSEK 13 at the time of signing and the remaining MSEK 19 in milestone payments. In addition, compensation will be paid for delivered products.
- In December, Moberg Derma expanded its license agreement with Meda to include the rights to market and sell Nalox™ in Russia, Turkey and several countries in Eastern Europe, markets representing approximately 300 million inhabitants. In

17) At year-end 2011, the Board assessed that there was no compelling reason that the losses could be utilized, which is why they are not assigned any value in the 2011 fiscal year. In March, 2012, the Board assessed that the company's development makes it likely that a future taxable profit will be generated and can be offset with the unused tax losses, thus the losses were assigned a value for the 2012 financial year.

total, Meda's rights to Nalox™ comprise a total of 22 countries and some 550 million inhabitants. As compensation for the exclusivity rights in additional countries, Meda agreed to pay a total of SEK 18 million, with SEK 7.5 million at signing of the contract and the remaining SEK 10.5 million in future milestone payments. In addition, compensation will be paid for delivered products.

- A distribution agreement was entered into with Menarini Group to market Nalox™/Emtrix® in Italy.
- A distribution agreement was entered into with Alterna LLC for the marketing of Nalox™/Emtrix® in the U.S. under the brand name Kerasal® Nail. The contract also includes co-funding of marketing activities. Alterna has already received orders from three of the largest retail change chains, among them the world's largest retail chain Walmart.
- A distribution agreement was entered into with OZHealth Pharma to market Nalox™/Emtrix® in Australia and New Zealand.
- Moberg Derma terminated its distribution agreement in Canada, regaining all rights to Nalox™/Emtrix® in the country.

Product- and project development

- Nalox™ received positive results in a clinical trial which was conducted on 75 patients with nail fungus. The trial showed that 92 percent of the patients improved after eight weeks of treatment. And an improvement was seen on 77 percent of patients after only two weeks.
- The recruitment of 237 patients with nail fungus was completed for the ongoing phase II trial for MOB-015.
- The preclinical development program for A-Fizz was discontinued since criteria were not met.
- Moberg Derma received a research grant of MSEK 4 million from Vinnova to further develop the pharmaceutical candidate Limtop.
- CE-mark was obtained for Kaprolac Skin Repair & Hydration – a product for the treatment of atopic eczema and dry skin, authorizing Moberg Derma to market and sell the product in the EU/EEA.

Financial development and corporate governance

- Moberg Derma was listed on the NASDAQ OMX Stockholm, main list. Trade in the share commenced on May 26, 2011 under the ticker "MOB". The company issued new shares in conjunction with the listing. The share issue was fully subscribed and raised MSEK 69.2 after the deduction of issue costs.
- Moberg Derma also conducted a new share issue during the March 3-17, 2011 period. The issue was fully subscribed and generated MSEK 12 for the company.
- Peter Rothschild, CEO and founder of BioGaia, was elected to Moberg Derma's Board of Directors by shareholders at the AGM on April 18.

EVENTS AFTER THE YEAR-END

Further studies will likely be required before MOB-015 can be out-licensed

Following analysis of mid-term data from around half the patients taking part in the ongoing open phase II trial for MOB-015, the company's assessment is that there is low probability that the trial's final results will be sufficient enough to out-license the project. Additional studies will probably be required before continuing to phase III. The ongoing phase II study will be completed and results are expected by the end of 2012.

Updated financial goals

Based on continued positive performance and revenue growth the Board assessed that the company has the potential to show profitability already full-year 2012. The company's long-term goal (3–5 years) is to achieve an operating margin before depreciation and amortization (operating profit as a percentage of sales) of at least 25 percent, with continued strong growth.

Accounting for deferred tax asset has positive impact on results

Moberg Derma has outstanding tax loss carry-forwards of MSEK 120.8. The Board considers it as probable that future taxable profit will be available and can be utilized against unutilized tax losses. This tax receivable is reported both in the income statement and balance sheet, resulting in a positive impact first quarter 2012 by SEK 31.8 million.

Approval to initiate clinical trial for Limtop

The German Federal Institute for Drugs and Medical Devices (BfArM) has granted Moberg Derma approval to initiate a clinical phase I trial for Limtop.

Agreement in South Africa

A distribution agreement was entered into with Pharmaplan (Pty) Ltd. to market Nalox™/Emtrix® in South Africa.

INSURANCE

In addition to corporate insurance, Moberg Derma's insurance coverage includes insurance for patients who participate in clinical trials and product liability insurance for products under development and on the market. The insurance coverage is subject to continuous review. The Board deems that the company's insurance coverage is suited to the current scope of the business.

ENVIRONMENT

Moberg Derma conducts no operations that involve particular environmental risk or that require environmental permits or decisions from authorities. Moberg Derma's assessment is that the company generally operates under applicable health and safety regulations and offers its employees and safe and healthy working environment.

DISPUTES

Moberg Derma is not, and never has been, a party to any legal proceedings or arbitration proceedings, which at any time have or have had significant impact on Moberg Derma's financial position or profitability. Nor is Moberg Derma's Board of Directors aware of any circumstances that could result in such legal or arbitration proceedings.

WORK OF THE BOARD IN 2011

At the Annual General Meeting in 2011, seven Directors were elected for the period until the next AGM. The Directors' expertise covers the fields of drug development, medical research as well as marketing, financial and strategic issues. The Board held 11 minuted meetings during the year, of which one meeting was held per capsulam and two via conference calls. Reports at the meetings were presented mainly by the CEO but also by other members of the management team.

The main focus of the Board's work in 2011 has been on strategic issues, particularly matters relating to product development, business development and financing, and the further development of the company's business plan. The Board's work follows established rules of procedure, which regulate areas such as the division of responsibility, the number of compulsory meetings, the form of convening notices, fundamental documentation and minutes, conflicts of interest, obligatory matters that the CEO should submit to the Board and authorized company signatories. The Board handles on an ongoing basis matters such as the current business situation, closing of accounts for each period, budget, strategies and external information.

The Board has had a compensation committee, which has prepared proposals on compensation issues. Other than this, all issues have been addressed by the Board as a whole.

For detailed information about Directors, see page 79.

THE NOMINATING COMMITTEE

The nominating committee for the 2012 Annual General Meeting consists of four members: Per-Olof Edin, Conny Bogentoft, Oscar Ahlgren and Mats Pettersson. The nominating committee submits proposals for the appointment of a Chairman and other Directors, as well as proposals on fees and other compensation to be paid to Directors. The nominating committee also presents proposals for the appointment and compensation of the company's auditor. The nominating committee's proposals will be presented in the notice of the 2012 AGM.

CORPORATE GOVERNANCE

Moberg Derma has applied the Swedish Corporate Governance Code since May 26, 2011, the date when Moberg Derma's share was listed on NASDAQ OMX Stockholm. See page 69 for the Corporate governance report.

PUBLIC RELATIONS

Moberg Derma strives to maintain good communication with shareholders. Company information must be accurate, clear, factual and timely. Communication from the company must also be characterized by openness, with regular interim and annual reports in Swedish and English. Events considered to influence the value of the share are announced in a press release.

PROPOSAL TO THE AGM 2012 – BOARD OF DIRECTORS' PROPOSAL FOR RESOLUTION ON PRINCIPLES FOR COMPENSATION OF SENIOR EXECUTIVES

The Board of Directors proposal for resolution on principles for remuneration of senior executives is consistent with previous years' principles for remuneration and is mainly based on existing contracts between the company and senior executives.

Moberg Derma shall offer a total compensation at market rate that enables for qualified senior executives to be recruited and retained. The compensation paid to the Chief Executive Officer and other senior executives may consist of basic salary, variable compensation, other benefits and pension benefits. The total compensation is based on the basic salary and must be proportionate to the executive's responsibilities and authority. Variable compensation is capped at 50 per cent of each executive's basic annual salary and is based on results achieved in relation to individually defined qualitative and quantitative targets as well as the company's result in relation to goals set by the Board of Directors. Pensionable salary comprises only of basic salary. To the extent that Board members perform work for the company or any other group company, besides work in the Board of Directors, consultancy fee at market rate may be paid. In case of termination, the notice period

shall be three months if the senior executive takes the initiative and if the company takes the initiative between three and nine months. Severance is not paid. The Shareholders' Meeting shall, when applicable, decide on all share and share-price related programs. Allotment shall be made in accordance with the resolution of the Shareholders' Meeting. With the exception of the employee stock options allotted and accrued, and what is provided for under existing employment contracts as referred to above, senior executives are not entitled to any benefits after the termination of the employment/assignment. The Board of Directors shall be entitled to deviate from the above mentioned principles for remuneration of senior executives if there are special reasons.

OUTLOOK FOR 2012

Moberg Derma's goal is to create value and generate a solid return on investment for shareholders by being a profitable pharmaceutical company that delivers leading novel topical pharmaceuticals to a global marketplace. Crucial to Moberg Derma's future is the ability to commercialize new products, enter into partnerships for its projects, and successfully drive its projects to market launch and sales. The company's long-term goal (3–5 years) is to achieve an operating margin before depreciation and amortization (operating profit as a percentage of sales) of at least 25 percent, with continued strong growth.

In 2012, the company's focus will be on supporting the company's distributors to facilitate continued successful launches of Nalox™ in additional markets. The performance of partnerships entered into will have a major impact on Moberg Derma's revenue and cash flow. Our assessment is that revenue growth will continue and that the company will be profitable for the full year 2012.

THE PARENT COMPANY, MOBERG DERMA AB (PUBL)

Moberg Derma AB (publ), corp. reg. no. 556697-7426, is the parent company of the group. Operations in the group are conducted primarily in the parent company and consist of research and development, commercialization and administrative functions. In 2011, the parent company generated net sales of MSEK 55.9, compared to MSEK 8.5 for 2010. Operating expenses, excluding the cost of goods sold, amounted to MSEK 50.4 (38.6) and loss after financial items amounted to MSEK 6.4 million (-31.0). Cash and cash equivalents at year-end amounted to SEK 74.0 (2.7).

PROPOSED APPROPRIATION OF RETAINED EARNINGS

The Annual General Meeting is asked to decide on the appropriation of:	
Share premium reserve	197,044
Accumulated deficit	–114,774
Loss for the year	–6,384
	75,886

The Board of Directors proposes that the accumulated deficit and share premium reserve will be carried forward.

RISK FACTORS

Moberg Derma's business is exposed to risk. By risks is meant events or decisions outside of the company's control that could lead to business interruption, damage or loss with substantial impact for the entire group. How risks are managed is of fundamental significance for Moberg Derma's success. In order to manage risk in a balanced way, risks must first be identified and assessed. Moberg Derma conducts risk management where risks are evaluated in a systematic manner. Factors considered of particular importance to Moberg Derma's future development are described below. The list does not purport to be exhaustive, and risks are not listed in any order of significance. There is no guarantee that Moberg Derma can successfully address the following or other risks.

CLINICAL TRIALS

Moberg Derma conducts development of new pharmaceuticals and other medical products. To obtain permits from authorities to commence sales, the company – or potential partners – must prove the efficacy and safety of potential pharmaceuticals on each given indication. It cannot be guaranteed that current or future clinical studies can prove sufficient efficacy and safety to obtain requisite authoritative approval, or that these will lead to products that can be sold in the market.

REGULATORY ACTIONS

Moberg Derma develops and commercializes medical products and is, like other companies in the industry, dependent on assessments and decisions made by regulatory authorities. Such assessments include authorizations for clinical trials, authorizations to market and sell pharmaceuticals or medical device products, conditions for prescription of pharmaceuticals, pricing of pharmaceuticals covered by subvention systems and the discount of pharmaceuticals. It cannot be guaranteed that Moberg Derma will obtain the authoritative decisions necessary to generate commercially and financially valuable products in the market. Moberg Derma's commercialized medical device products have been approved by an independent regulatory body, allowing the products to be marketed throughout the EU/EEA. It is possible that national authorities may take a contrary view or act to stop the product being sold in the country, which could lead to delays or a loss of marketing approval.

COMPETITION AND PRICING

The pharmaceutical industry is a highly competitive industry. In most indications a number of companies are competing to develop new, improved products with the aim of achieving a high market share and a favorable price. It cannot be guaranteed that Moberg Derma's products will be preferred to other existing or new products in the market. Price pressure for medical products in Moberg Derma's indication areas is considerable and is expected to remain so in the future. Future products currently being developed by other companies may entail a further increase in competition and diminished opportunity for Moberg Derma to achieve or retain an attractive market share and price for its products.

The launch of Nalox™ in the Nordic region surpassed all expectations and the product quickly became market leader. It cannot be guaranteed that future launches of the product and sales outside the Nordic region will generate similar results, as competition and market position among the company's distributors varies from market to market.

MANUFACTURING

Moberg Derma uses contract manufacturers for production, which means the company is dependent on external deliveries meeting agreed requirements for quantity, quality and timing. There is no guarantee that Moberg Derma will not be impacted by delayed or failed deliveries which could affect sales.

PARTNERS AND DISTRIBUTORS

Moberg Derma currently does not have its own marketing organization. The group is therefore reliant on cooperation and distribution agreements with companies for the marketing and sale of its products. It cannot be guaranteed that such agreements can be entered into on favorable conditions or that counterparties meet their obligations as contracted. Moberg Derma will largely be dependent on a few major partners who are likely to account for the majority of Moberg Derma's revenue.

PRODUCT LIABILITY AND INSURANCES

Moberg Derma conducts clinical trials and sells medical products, which entails risks associated with product liability. Moberg Derma has the insurance cover customary to the industry for its clinical trial activities and holds product liability insurance policies for products under development and in the market. The company's current level of product liability insurance provides up to MSEK 75 per claim and a maximum of MSEK 75 per year, and is valid worldwide. Despite this coverage, it cannot be guaranteed that Moberg Derma will avoid liability claims in the event of injuries caused by the group's products or product candidates.

PATENTS AND TRADEMARKS

In the type of operations conducted by Moberg Derma there is always a risk that the group's patents or other intellectual property rights do not sufficiently protect the group or that the group's rights cannot be asserted. For some of Moberg Derma's product candidates, patent applications have been filed, but patents have not yet been granted. Nor can it be guaranteed that these will be granted. Furthermore, patent infringement may occur, which may

lead to costly disputes. The outcome of such disputes cannot be guaranteed in advance. For the losing party a negative outcome to a dispute over intellectual property rights could result in the loss of protection, a ban on continuing to use the right concerned or an obligation to pay damages.

KEY INDIVIDUALS

Moberg Derma's success depends on its ability to attract and retain key individuals. The loss of key individuals could adversely affect the group's commercial opportunities.

CYCLICAL SENSITIVITY

The pharmaceutical industry is typically less cyclical than many other industries. However, one cannot exclude that a deterioration in the economy or the debt crisis in Europe may have a negative effect on the demand for the company's products or lead to a postponing of launches in certain markets.

FUTURE FUNDING AND FINANCIAL RISK FACTORS

Moberg Derma's strategy involves continued significant investments in research and development. Today these R&D-investments are covered by the company's existing funds and sales revenue and Moberg Derma has good financial standing. Should the opportunity arise for faster growth, for example through acquisitions, Moberg Derma may need to raise additional capital through new share issues or loans.

For information on financial risk factors, see Note 26.

MOBERG DERMA SHARE

On May 26, 2012, Moberg Derma's share was listed on the NASDAQ OMX Stockholm, main list, with the ticker name MOB.

NEW ISSUES DURING THE YEAR

The company issued new shares in conjunction with company's listing on NASDAQ OMX Stockholm on May 26, 2011. The subscription price per share was SEK 29.00, and the issue of 2,550,524 shares raised MSEK 69.2 for the company after issue costs. In March 2011, Moberg Derma also conducted a share issue of 414,508 shares at a subscription price of SEK 29.00, which generated MSEK 12.0 for the company.

The company's operations have historically been financed by shareholder contributions through new share issues and revenue from product sales. Future investments are expected to be financed by the company's existing funds and revenue from product sales.

SHARE PERFORMANCE

The closing price on December 31, 2011 was SEK 24.50, yielding a market capitalization for Moberg Derma of MSEK 222. Since the stock exchange listing on May 26, Moberg Derma's share price has fallen 15.5 percent. During the same period, the OMX Stockholm PI (general index) decreased by 15.4 percent. The highest and lowest share prices noted for the Moberg Derma share from the listing date to the end of the year were SEK 31.00 and SEK 15.00, respectively.

The Moberg Derma share had a total turnover of 1.1 million shares, equivalent to a value of MSEK 23.9, with an average daily turnover of 7,400 shares. At the year-end, Moberg Derma had a total of 602 shareholders[18], where the 10 largest shareholders owned 80 percent of the shares in Moberg Derma. Around half of the shares were owned by private investors and the remaining by institutional investors.

Shareholders at December 31, 2011	Number of shares	% of votes and capital
Östersjöstiftelsen	2,274,179	25.05%
SIX SIS AG	1,876,606	20.67%
Mobederm AB	868,800	9.57%
Mohammed Al Amoudi	806,010	8.88%
Wolco Invest AB	600,000	6.61%
Avanza Pension	402,964	4.44%
Synskadades stiftelse	123,152	1.36%
Peter Kaufmann	120,800	1.33%
Streamson AB	90,628	1.00%
Tazlina AB	70,000	0.77%
Other	1,845,881	20.32%
Total	9,079,020	100.00%

18) Does not include those who own nominee registered shares, for example via Avanza Pension

Moberg Derma's CEO Peter Wolpert rings in the listing on NASDAQ OMX Stockholm on May 26, 2011.

DIVIDENDS AND DIVIDEND POLICY

Moberg Derma is currently in a phase of expansion. The Board is therefore of the opinion that the company's earnings are best used to finance further development and expansion of the business. The Board does not intend to propose any dividend until such a time when it is warranted by Moberg Derma's earnings, financial position and capital requirements.

ANALYSTS WHO CONTINUOUSLY MONITOR MOBERG DERMA

Peter Östling, Redeye
Klas Palin, Redeye
Jan Glevén, Remium

WARRANTS OUTSTANDING

The Annual General Meeting of Moberg Derma AB decided on April 18, 2011 to conduct a directed issue of 160,000 warrants (equivalent to 160,000 shares) to the company's wholly owned subsidiary Moberg Derma Incentives AB and to introduce the employee stock option scheme 2011:1. A total of 121,747 options were allocated under the employee stock option scheme 2011:1 and 38,253 warrants are reserved to cover future social security contributions for the employee stock options.

There are already 247,169 warrants outstanding in Moberg Derma (equivalent to 494,338 shares), of which 59,760 warrants (equivalent to 119,520 shares) are reserved to cover future social security contributions for the employee stock options.

The total number outstanding warrants at the end of the year were 407,169. If all warrants were to be exercised to subscribe to shares, the total number of shares would increase by 654,338 shares, from 9,079,020 shares to 9,733,358 shares, corresponding to a dilution of 6.7 percent.

The stock options granted to employees under the company's incentive program represent a maximum dilution of 5.1 percent. The remaining options, representing a dilution of 1.6 percent, are owned by the company's subsidiary Moberg Derma Incentives AB for the purpose of securing funds for future social security contributions payable upon redemption of employee stock option schemes.

For more information about the employee stock option program see Notes 7 and Notes 19.

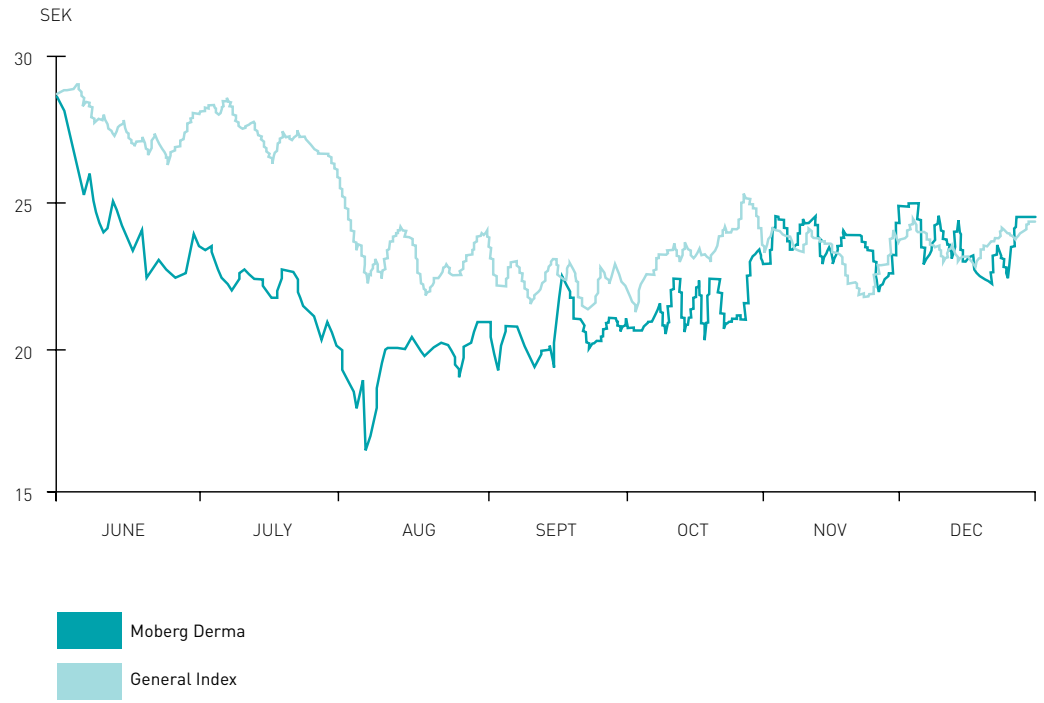
LOCK-UP AGREEMENT

The major shareholders Östersjöstiftelsen, SIX SIS AG, Mobederm AB and Wolco Invest AB have each entered into a lock-up agreement with Avanza Bank. Under the terms of the agreement, these major shareholders are prohibited from, earlier than May 26, 2012 or without the prior written consent of Avanza Bank, in each case, among other things, soliciting, selling, negotiating contracts for the sale, implementing contract swaps, pledge or otherwise granting or transfer shares or securities entitling to subscription to, or exchange of, shares in the company. The shareholders however may sell shares in Moberg Derma during the above period under the terms of a public offer.

SHARE CAPITAL DEVELOPMENT

Date [19]	Transaction	Change in no. of shares	Change in share capital	Number of shares	Total share capital SEK	Par value SEK	Subscription price SEK	Invested capital SEK
Jan 2006	Shelf company acquired	1,000,000	100,000.00	1,000,000	100,000.00	0.10	0.10	100 000
May 2006	Directed issue	47,984	4,798.40	1,047,984	104,798.40	0.10	15.00	719 760
Dec 2006	Directed issue	171,120	17,112.00	1,219,104	121,910.40	0.10	33.10 [20]	5 334 072
Sept 2007	New issue	613,866	61,386.60	1,832,970	183,297.00	0.10	45.12	27 697 634
Jan 2008	New issue	305,457	30,545.70	2,138,427	213,842.70	0.10	65.50	20 007 434
Apr 2008	New issue	305,457	30,545.70	2,443,884	244,388.40	0.10	65.50	20 007 434
Aug 2009	New issue	458,492	45,849.20	2,902,376	290,237.60	0.10	65.50	30 031 226
Dec 2009	New issue	144,723	14,472.30	3,047,099	304,709.90	0.10	65.50	9 479 357
June 2010 [21]	New issue	9,895	989.50	3,056,994	305,699.40	0.10	65.50	648 123
Nov 2010	Bonus issue	3,056,994	305,699.40	6,113,988	611,398.80	0.10	-	-
March 2011	New issue	414,508	41,450.80	6,528,496	652,849.60	0.10	29.00	12 020 735
May 2011	New issue	2,550,524	255,052.40	9,079,020	907,902.00	0.10	29.00	73 965 196

PERFORMANCE OF THE MOBERG DERMA SHARE PRICE COMPARED WITH OMX STOCKHOLM PI (GENERAL INDEX) SINCE THE LISTING OF THE SHARE ON MAY 26, 2011.



19) Refers to the date of registration at the Swedish Companies Registration Office
20) Also includes a directed issue of 10,000 Series B shares to Karolinska Institutet Holding at an issue price of SEK 0.10
21) New issue in order to attract specific expertise to the company


NASDAQ OMX
WELCOMES
MOBERG DERMA
Moberg
DERMA
NASDAQ
PRINCE
DECEMBER
14, 15, 17
IZOD
CENTER
TICKETS ON
SALE NOW!
DECEMBER
18, 20
SQUARE
GARDEN
SHOP nue21
FOR THE HOLIDAYS

ORGANIZATION AND EMPLOYEES

Moberg Derma currently has 22 associates, of whom 16 are employees and the rest consultants. As the company grows, Moberg Derma's ambition is to maintain the advantages of a small company with a flat organization and short decision making processes.

Moberg Derma's strategy is to work with a small internal team with strong managerial capacity, outsourcing part of the company's operations to specialist partners with key expertise, and a small group of employees steer, manage and conduct projects in areas such as preclinical and clinical development, out-licensing, business development, regulatory issues and manufacturing. Working this way allows Moberg Derma to remain highly flexible, facilitating the reallocation of resources where needed between projects.

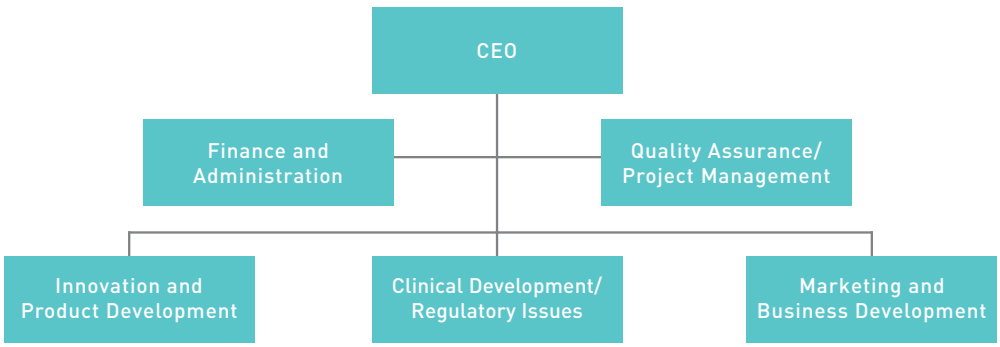
In its model of partnership with distributors, Moberg Derma is responsible for the manufacture and delivery of finished products, while the distributor is responsible for sales and marketing, enabling Moberg Derma to work with a relatively small marketing division. The main task of the marketing division is to provide distributors with support in regards to product and market strategy, positioning, advertising strategy and marketing materials.

EMPLOYEES

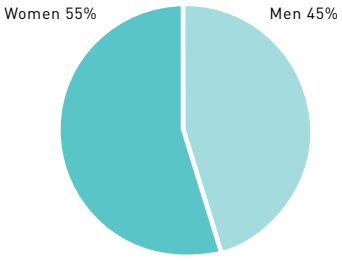
Moberg Derma employs individuals with a range of specialist skills and extensive experience in the pharmaceutical industry. The company's operations put high demands both on employees and on creating and maintaining a corporate culture of innovation and high-performance. In order to ensure excellence and access to expertise, Moberg Derma maintains an active exchange of knowledge with an international network of specialists in dermatology and drug development. In general, the company's employees have a high level of education with university degrees or PhDs as per the diagrams on the following page.

Moberg Derma's employees are united behind a set of values important for achieving the company's goals. Among the most important are: strategic focus, initiative taking and the importance of the individual. The management and Board have formulated overall corporate objectives. In each division, managers are responsible for – based on the overall goals – formulating individual goals with and for each employee. At the end of each financial year, company and employee contributions are assessed and an

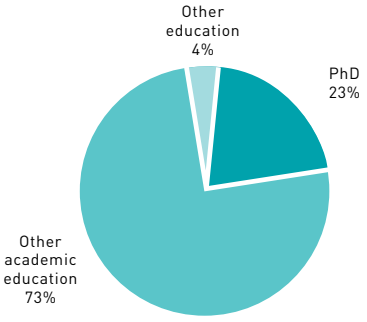
MOBERG DERMA'S ORGANIZATIONAL STRUCTURE



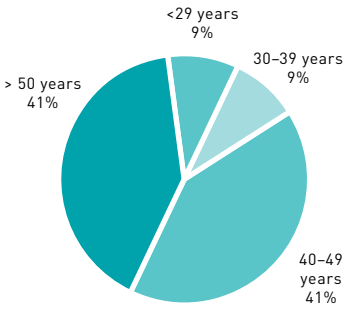
GENDER BREAKDOWN*



EDUCATION LEVEL*



AGE*



*Based on the total personnel including consultants (22 individuals)

evaluation of goal fulfillment is used as a basis for salary reviews. Moberg Derma works towards common goals, rewarding results and performance achievements.

HEALTH AND SAFETY

As part of efforts to recruit and retain employees, Moberg Derma strives to be a valued workplace with a safe and healthy working environment. The company believes that a good working environment is conducive to job satisfaction in the workplace, reducing absenteeism and reinforcing employees' work efforts. Work situations should be individualized, facilitating a good balance between work and leisure time. All employees are offered ergonomic work solutions to avoid work-related repetitive strain injuries. The company also encourages health awareness through healthcare contributions and activities, as well as complimentary fruit at work.

EQUALITY AND DIVERSITY

Moberg Derma's offers equal opportunity to all employees and job applicants, regardless of race, religion, gender, sexual orientation, nationality age or disability.

SUSTAINABLE DEVELOPMENT

As a pharmaceutical company, Moberg Derma strives to contribute to society at large by reducing suffering and improving the quality of life of patients. The pharmaceutical industry is largely governed by statutes and public authorities. Based on these regulatory structures, the company has established guidelines and policies that regulate and steer operations.

QUALITY CONTROL AND ENVIRONMENTAL IMPACT

Moberg Derma quality assures its operations using the company's management system, which was built and certified in accordance with ISO 13485. In accordance with the company's quality management policy, management and employees strive to offer high quality products that meet customer needs and on continuously improving the company's products, service and quality management system.

Using the company's financial and technical resources, Moberg Derma aims to minimize its environmental impact. Moberg Derma takes a long-term approach to its environmental work, striving for sustainability in its day to day operations and collaboration with partners, researchers and consultants. The company's sustainability initiatives will be continuously developed through new knowledge and experience. Each employee has personal responsibility to help the company meet its goals. Moberg Derma does not conduct any manufacturing itself and the company's direct environmental impact is considered to be low. Like most other companies however, Moberg Derma's operations have some impact on the environment, mainly from emissions from travel, transportation and office energy consumption. In addition, some environmental impact may occur in the production of Moberg Derma products outsourced to external manufacturers as well as outsourced research.

ETHICAL CONDUCT OF CLINICAL TRIALS

Moberg Derma's work has a major impact on peoples' life and health and therefore it is imperative that the company not only complies with applicable laws and regulations, but also acts in a responsible and ethical manner. Preclinical and clinical trials on the company's pharmaceutical candidates are conducted in collaboration with partners, for example contract research companies or research teams associated with universities.

Clinical trials must always be set up in consultation between Moberg Derma and the respective partner, and be approved by Moberg Derma. Clinical trials are conducted in accordance with Good Clinical Practice (GCP) and are carried out in collaboration with specialized contract research companies. Implementation is regulated by special processes, known as Standard Operating Procedures, as well as quality contracts, to ensure that Moberg Derma's clinical trials are always conducted according to standard practice and that laws and regulations are followed.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(KSEK)		Jan–Dec 2011	Jan–Dec 2010
Revenue	2	55,943	8,512
Cost of goods sold		–16,630	–2,849
Gross profit/loss		**39,313**	**5,663**
Marketing and administration expenses		–23,256	–19,551
Research and development expenses		–26,808	–18,992
Other operating income	4	3,536	2,785
Other operating expenses		–383	–23
Operating profit/loss	**5–9**	**–7,598**	**–30,119**
Interest income	10	1,241	165
Interest expense	10	–28	–1,077
Profit/loss before tax		**–6,384**	**–31,031**
Income tax	11	–	–
Profit/loss for the year		**–6,384**	**–31,031**
Other comprehensive income		**–**	**–**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**–6,384**	**–31,031**
Profit/loss attributable to parent company shareholders		–6,384	–31,031
Profit/loss attributable to non-controlling interests		–	–
Comprehensive income attributable to parent company shareholders		–6,384	–31,031
Comprehensive income attributable to non-controlling interests		–	–
Basic earnings/loss per share	**12**	**–0.82**	**–5.08**
Diluted earnings/loss per share	**12**	**–0.82**	**–5.08**
Average number of shares		7,781,910	6,109,041
Number of shares at the year-end		9,079,020	6,113,988

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(KSEK)	Note	2011-12-31	2010-12-31
ASSETS			
Non-current assets			
Intangible assets			
Patents, licenses and similar rights	13	257	271
Tangible assets			
Equipment and tools	14	497	411
Financial assets			
Other financial assets		1	1
Total non-current assets		**755**	**683**
Current assets			
Inventories	15	1,239	244
Current receivables			
Accounts receivable	16, 23	10,139	6,638
Other receivables	16, 23	592	1,169
Prepaid expenses and accrued income	17	5,677	887
		16,407	8,694
Cash and bank	18	74,052	2,761
Total current assets		**91,698**	**11,699**
TOTAL ASSETS		**92,453**	**12,383**
EQUITY AND LIABILITIES			
Equity	**19**		
Equity attributable to parent company shareholders (100%)			
Share capital		908	611
Other contributed capital		197,044	114,858
Loss brought forward including loss for the year		–121,165	–114,781
Total equity		**76,787**	**688**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	20	–	150
Total non-current liabilities		**–**	**150**
Current liabilities			
Accounts payable		7,024	4,898
Other current liabilities	20, 21	1,372	1,378
Accrued expenses and deferred income	22	7,270	5,269
Total current liabilities		**15,666**	**11,545**
Total liabilities		**15,666**	**11,695**
TOTAL EQUITY AND LIABILITIES		**92,453**	**12,383**
Pledged assets	24	702	119
Contingent liabilities	24	–	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent company			
Amounts in KSEK	**Share capital**	**Other contributed capital**	**Retained earnings incl. profit/loss for the year**	**Total equity**
Opening balance, January 1, 2010	**305**	**113,655**	**–83,751**	**30,209**
Share offerings	1	647		648
Transaction costs, share offerings [22)]		–		–
Bonus issue	306	–306		–
Employee stock options schemes		985		985
Repurchase and cancellation of warrants		–124		–124
Comprehensive income for 2010			–31,031	–31,031
Closing balance, December 31, 2010	**611**	**114,858**	**–114,781**	**688**
Opening balance, January 1, 2011	**611**	**114,858**	**–114,781**	**688**
Share offerings	297	85,689		85,986
Transaction costs, share offerings		–4,950		–4,950
Employee stock options schemes		1,447		1,447
Comprehensive income for 2011			–6,384	–6,384
Closing balance, December 31, 2011	**908**	**197,044**	**–121,165**	**76,787**

For more information about Moberg Derma's share and share history see page 38.

22) No transaction costs were associated with the share offering.

CONSOLIDATED STATEMENT OF CASH FLOWS

(KSEK)	Note	Jan–Dec 2011	Jan–Dec 2010
OPERATING ACTIVITIES			
Operating profit/loss before financial items		–7,598	–30,119
Financial items received and paid		214	88
Adjustment for non-cash items:			
Depreciation and amortization	9	464	145
Expenses for employee stock options schemes		1,447	985
Cash flow before changes in working capital		–5,473	–28,901
Changes in working capital			
Increase (-) / decrease (+) in inventories	15	–995	–244
Increase (-) / decrease (+) in operating receivables		–7,713	–7,144
Increase (+) / decrease (-) in operating liabilities		5,162	5,877
Cash flow from operating activities		**–9,020**	**–30,412**
INVESTING ACTIVITIES			
Net investments in equipment and tools	14	–535	–159
Cash flow from investing activities		**–535**	**–159**
FINANCING ACTIVITIES			
Repayment of loans (-)	20	–190	–270
Issue of shares		85,986	648
Issue costs		–4,950	–
Repurchase of warrants		–	–124
Cash flow from financing activities		**80,846**	**254**
Changes in cash and cash equivalents		**71,291**	**–30,317**
Cash and cash equivalents at the beginning of the year		2,761	33,078
Cash and cash equivalents at the end of the year	18, 23	74,052	2,761
Additional disclosures to the statement of cash flows – Interest paid			
Interest received		982	84
Interest paid		–29	–42

PARENT COMPANY INCOME STATEMENT

(KSEK)	Note	Jan–Dec 2011	Jan–Dec 2010
Revenue	2	55,943	8,512
Cost of goods sold		–16,630	–2,849
Gross profit		**39,313**	**5,663**
Marketing and administration expenses		–23,256	–19,551
Research and development expenses		–26,808	–18,992
Other operating income	4	3,536	2,785
Other operating expenses		–383	–23
Operating profit/loss	**5–9**	**–7,598**	**–30,119**
Interest income	10	1,241	164
Interest expense	10	–28	–1,077
Profit/loss before tax		**–6,384**	**–31,031**
Tax on profit/loss for the year	11	–	–
RESULTS		**–6,384**	**–31,031**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

(KSEK)	Jan–Dec 2011	Jan–Dec 2010
Profit/loss for the year	**–6,384**	**–31,031**
Other comprehensive income	–	–
TOTAL COMPREHENSIVE INCOME/LOSS FOR THE YEAR	**–6,384**	**–31,031**

PARENT COMPANY BALANCE SHEET

(KSEK)	Note	Dec. 31, 2011	Dec. 31, 2010
ASSETS			
Non-current assets			
Intangible assets			
Patents, licenses and similar rights	13	257	271
Tangible assets			
Equipment and tools	14	497	411
Financial assets			
Interests in group companies	24	100	100
Other financial assets		1	1
Total financial assets		101	101
Total non-current assets		**855**	**783**
Current assets			
Inventories	15	1,239	244
Current receivables			
Accounts receivable	16, 23	10,139	6,638
Other receivables	16, 23	592	1,169
Prepaid expenses and accrued income	17	5,677	887
Total current receivables		16,407	8,694
Cash and bank	18	73,959	2,669
Total current assets		**91,605**	**11,607**
TOTAL ASSETS		**92,460**	**12,390**
EQUITY AND LIABILITIES			
Equity	19		
Restricted equity			
Share capital		908	611
Total restricted equity		908	611
Non-restricted equity			
Share premium reserve		197,044	114,858
Retained earnings		–114,774	–83,742
Loss for the year		–6,384	–31,031
Total non-restricted equity		75,886	84
Total equity		**76,794**	**695**
Liabilities			
Non-current liabilities			
Interest-bearing liabilities	20	–	150
Total non-current liabilities		**–**	**150**
Current liabilities			
Accounts payable		7,024	4,898
Other current liabilities	20, 21	1,372	1,378
Accrued expenses and deferred income	22	7,270	5,269
Total current liabilities		**15,666**	**11,545**
Total liabilities		**15,666**	**11,695**
TOTAL EQUITY AND LIABILITIES		**92,460**	**12,390**
Pledged assets	24	702	119
Contingent liabilities	24	–	–

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(KSEK)	Share capital	Share premium reserve	Retained earnings	Profit/loss for the year	Total equity
Opening balance, January 1, 2010	**305**	**113,655**	**–59,507**	**–24,235**	**30,217**
Share offering	1	647			648
Transaction costs, share offerings [23)]		–			–
Bonus issue	306	–306			–
Employee stock options schemes		985			985
Repurchase and cancellation of warrants		–124			–124
Transfer of previous year's results			–24,235	24,235	–
Profit/loss for the year 2010				–31,031	–31,031
Closing balance, December 31, 2010	**611**	**114,858**	**–83,742**	**–31,031**	**695**
Opening balance, January 1, 2011	**611**	**114,858**	**–83,742**	**–31,031**	**695**
Share offerings	297	85,689			85,986
Transaction costs, share offerings		–4,950			–4,950
Employee stock options schemes		1,447			1,447
Transfer of previous year's results			–31,031	31,031	–
Profit/loss for the year 2011				–6,384	–6,384
Closing balance, December 31, 2011	**908**	**197,044**	**–114,774**	**–6,384**	**76,794**

23) No transaction costs were associated with the share offering.

PARENT COMPANY CASH FLOW STATEMENT

(KSEK)	Note	Jan–Dec 2011	Jan–Dec 2010
OPERATING ACTIVITIES			
Operating profit/loss before financial items		–7,598	–30,119
Financial items received and paid		213	88
Adjustment for non-cash items:			
Depreciation and amortization	9	464	145
Expenses for employee stock options schemes		1,447	985
Cash flow before changes in working capital		–5,474	–28,901
Changes in working capital			
Increase (-) / decrease (+) in inventories	15	–995	–244
Increase (-) / decrease (+) in operating receivables		–7,714	–7,144
Increase (+) / Decrease (-) in operating liabilities		5,162	5,877
Cash flow from operating activities		**–9,021**	**–30,413**
INVESTING ACTIVITIES			
Net investments in equipment and tools	14	–535	–159
Cash flow from investing activities		**–535**	**–159**
FINANCING ACTIVITIES			
Repayment of loans (-)	20	–190	–270
Issue of shares		85,986	648
Issue costs		–4,950	–
Repurchase and cancellation of warrants 2007:1		–	–124
Cash flow from financing activities		**80,846**	**254**
Changes in cash and cash equivalents		**71,290**	**–30,317**
Cash and cash equivalents at the beginning of the year		2,669	32,986
Cash and cash equivalents at the end of the year	18	73,959	2,669

NOTES

Information in the notes pertains to both the parent company and the group unless otherwise stated. If only one set of values is stated in a note, with no reference to the group or parent company, the values for the group and parent company are identical in this note.

NOTE 1 ACCOUNTING POLICIES

Company information

The Annual Report for Moberg Derma AB for 2011 was approved for publication in accordance with a Board decision on March 29, 2012. The Annual Report will be submitted to the Annual General Meeting for adoption on April 23, 2012. Moberg Derma AB (publ), corporate registration number 556697-7426, is a limited liability company registered in Stockholm, Sweden. The company's main business is described in the Board of Directors' Report.

Basis of preparation

The following accounting and valuation principles pertain to both the consolidated financial statements and parent company's financial statements unless otherwise specified.

The consolidated financial statements have been prepared in accordance with international accounting standards, the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Commission for application in the EU.

The consolidated financial statements have also been prepared in accordance with Swedish law (the Annual Accounts Act) by application of Recommendation RFR 1 of the Swedish Financial Reporting Board.

The parent company financial statements have been prepared in accordance with Swedish law (the Annual Accounts Act) by application of Recommendation RFR 2 of the Swedish Financial Reporting Board. This means that, as the main rule, the IFRS valuation and disclosure rules, as applied in the consolidated financial statements, also apply to the parent company.

New accounting principles

A number of new or updated accounting standards and interpretations are effective for the financial year beginning January 1, 2011. All of the standards, amendments and interpretations from IASB and recommendations from IFRIC, which entered into force in 2011 and have been approved by the EU are currently not relevant for the group.

- IAS 24 Related party disclosures – amended definition of related parties and a partial exemption for government-related entities.
- IAS 32 Financial instruments: classification of rights issues – amendment for subscription rights in other currencies than the functional currency.
- IFRIC 14 Prepayments of minimum funding requirement – changes to the recoverable amount of a net pension asset.
- IFRIC 19 Extinguishing financial liabilities with equity instruments.
- Annual improvements of IFRS standards: IFRS 3 Business combinations, IFRS 7 Financial instruments - Disclosures, IAS 1 Presentation of financial statements, IAS 27 Consolidated and separate financial statements and IFRIC 13 Customer loyalty programs.

A number of new or amended accounting standards and interpretations of such standards apply for financial years beginning on January 1, 2012 or later. None of these has been applied in advance by the group. These recommendations and interpretations are not expected to have any significant effect on Moberg Derma's accounting practices.

Functional currency and reporting value

Moberg Derma's functional currency is Swedish kronor, which is also the reporting currency for the parent company and group. Consequently, the company's financial reports are presented in Swedish kronor and rounded to the nearest thousand unless otherwise stated. Due to the rounding component, totals may not sum up.

Valuation basis

Moberg Derma uses historical costs for balance sheet items unless otherwise stated.

Consolidation

Subsidiaries are consolidated in accordance with the purchase method. According to the purchase method, the acquisition of subsidiaries is considered a transaction through which the group indirectly acquires the subsidiary's assets and assumes its liabilities. From the date of acquisition the acquired company's income and expenses, identifiable assets and liabilities as well as any goodwill are included in the consolidated accounts.

Revenue

Two types of income are included in revenue: product sales and milestone payments. Revenue is reported at the fair value of the consideration received or that will be received, after deduction of discounts and recorded as follows:

- *Product sales* are invoiced upon delivery and recognized in the income statement when material risks and benefits associated with ownership of the goods have been transferred to the buyer.
- *Milestone payments* are recognized when all terms and conditions for entitlement to the agreement have been met.

Other income

Government grants and research grants are accounted for as other income in the income statement in the same period as the expenses which the grants are intended to offset.

Non-current assets

Non-current assets are recognized at cost less accumulated depreciation or amortization and any impairment loss. Depreciation and amortization are applied according to plan over the asset's estimated useful life from the time of an acquisition.

Depreciation/amortization periods

The following useful lives are applied for different types of assets:

Patents	10 years
Equipment and tools	5 years

Amortization of patents commences from the time of commercialization. Once commercialization has commenced, patents are amortized on a straight-line basis over 10 years or on a straight-line basis over the term of the patent if this is less than 10 years.

Research and development costs

Research costs are expensed as incurred.

Expenditure relating to internally generated development projects is capitalized as an intangible asset to the extent that the expenditure is highly likely to generate future economic benefits. The cost of such intangible assets is amortized over the asset's estimated useful life. Other development costs are expensed as incurred. Moberg Derma's assessment is that the ongoing development projects do not meet all requirements for capitalization pursuant to IAS 38, and no development expenditure has therefore been recognized as an asset. Expenditure relating to acquired development projects are capitalized as intangible assets.

Impairment
At each reporting date the carrying amounts of intangible and tangible assets are tested for impairment. In case of impairment the asset's recoverable amount is determined. The recoverable amount is the higher of the fair value of the asset less selling expenses and the asset's value in use.

Value in use is determined by estimating and discounting future incoming and outgoing payments generated by the asset. If the recoverable amount is lower than the carrying amount the asset is written down to the recoverable amount. This impairment loss is recognized directly in the income statement.

Receivables
An assessment of doubtful receivables is made when it is no longer likely that the full amount will be received. Doubtful receivables are written off in their entirety upon a confirmed loss.

Leases
Leases in which a significant share of the risks and benefits of ownership are retained by the lessor are classified as operating leases. All lease agreements have been classified as operating leases. The leasing fee for operational leases is expensed in a straight line over the leasing period unless another systematic approach better reflects the user's financial utility over time.

Inventory
Inventories are stated at the lower of cost (weighted average price) and net realizable value. Cost is defined as costs for finished goods. Net realizable value is the estimated selling price in the company's operating activities less any applicable variable selling expenses.

Financial Instruments
Financial instruments that are accounted for in the balance sheet include trade receivables, cash and bank balances, accounts payable, certain accrued costs and other liabilities. The group does currently not have any derivative instruments.

Trade receivables
Trade receivables are recognized in the balance sheet upon dispatch of invoice. Trade receivables are stated at cost less any provisions for impairment. A provision for impairment of trade receivables is made when there is objective evidence that the group will not be able to recover all overdue amounts in accordance with the original terms and conditions for the receivables.

Cash and cash equivalents
Cash and cash equivalents consist of bank deposits.

Accounts payable
The expected maturity of trade accounts payable is short, and the liability is therefore recognized at the nominal amount with no discount by applying the amortized cost method.

Interest-bearing liabilities
All loans are initially recognized at cost, which is defined as the fair value of what has been received. Subsequently, the loans are reported at amortized cost. Interest expenses are reported as a financial expense in the period in which they belong. Non-current liabilities have an expected maturity of more than one year while current liabilities have a maturity of less than one year.

Liabilities in foreign currency
Transactions in foreign currency are accounted for in accordance with IAS 21. The company has current liabilities in foreign currency, which have been translated at the closing rates. The exchange rate differences are included in operating profit/loss.

Provisions
Provisions are recognized in the balance sheet when the group has a legal or informal obligation arising from previous events and it is more probable than not that an outflow of resources will be required to settle the obligation and the amount can be reliably calculated.

Pensions and other committed post-employment benefits
Moberg Derma's provides defined-contribution pension plans for all group employees. Defined-contribution plans and other short-term benefits for employees are reported as personnel expenses during the period that the employee performed the service associated with the compensation. Prepaid fees are reported as an asset to the extent that cash repayment or a reduction of future payments may benefit Moberg Derma.

Employee stock option schemes
Share-based incentive schemes are accounted for in accordance with IFRS 2. Existing share-based incentive schemes consist of Employee Stock Option Schemes 2008:1, 2008:2, 2009:1, 2010:1, 2010:2 and 2011:1.

Under IFRS 2, the cost of share-based payments to employees is recognized at fair value at the allocation date. The cost is recognized, along with a corresponding increase in equity, in the period in which the performance or vesting conditions were met, until the date when the employees are fully entitled to the compensation (the vesting date).

The accumulated cost recognized at each reporting date until the vesting date reflects the extent to which the vesting period has been completed and Moberg Derma's estimate of the number of share-based instruments that will ultimately vest.

The company's employee stock option schemes constitute a transaction that is settled through equity instruments in accordance with IFRS 2, where the fair value of the allocated employee stock options is recognized in the income statement as a personnel expense over the vesting period. The fair value of the employee stock options is determined at the allocation date using the Black-Scholes option pricing model. Vesting conditions are included in assumptions about the number of options that are expected to become exercisable. These estimates are reviewed on a regular basis. Moberg Derma reports any effect of the review of the original estimate in the income statement along with a corresponding effect in equity during the remainder of the vesting period. Funds received upon exercise of employee stock options, net of any directly attributable transaction costs, are recognized in equity.

Related-party transactions
Remuneration and benefits to senior executives are accounted for in accordance with IAS 19 Employee Benefits and IFRS Share-based Payment. Other disclosures on related-party transactions are reported in accordance with IAS 24 Related Party Disclosures and the Swedish Annual Accounts Act, see Note 28.

Tax
Current tax and changes in deferred tax are reported as Moberg Derma's tax expense or tax income. Current tax is calculated on the taxable results for the period in accordance with tax regulations. Current tax also includes adjustments from previous tax years.

Deferred tax is the tax calculated based on the taxable or deductible temporary differences between reported and tax values of assets and liabilities. At present, Moberg Derma has no tax expense due to losses. A deferred tax asset is reported to the extent that it is assessed as likely that loss carry-forwards will entail lower tax payments in the future.

Parent company accounting policies
The parent company's accounting policies are principally consistent with the accounting policies of the group. For the parent company, an income statement and a statement of comprehensive income are presented, while for the group, this is presented in a single report in the statement of comprehensive income. Furthermore, for the parent company, the terms balance sheet and cash flow analysis are used for those statements which in the group are called statement of financial position and statement of cash flows, respectively. The income statement and balance sheet for the parent company are drawn up according to the format in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the cash flow analysis for the group are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The differences concerning the group's statements which are relevant to the parent's company's income statements and balance sheets consist mostly of the recording of equity.

Significant estimates and assessments
Estimates and assessments are evaluated on an ongoing basis, based on historical experience and other factors as well as expectations of future events that are considered reasonable based on current circumstances. Prospective estimates and assessments are made. Accounting estimates will, by definition, rarely agree with actual outcomes. Estimates and assumptions which involve a significant risk of material adjustments to carrying amounts during the coming financial year are discussed below.

Assessment of criteria for capitalization of internal development expenditure
Development costs should be capitalized as intangible assets when it is probable that the project will succeed. Each development project is unique and must be assessed based on its particular circumstances. The earliest assessed timing for capitalization is after phase III studies have been conducted or equivalent final development steps for other types of products than pharmaceuticals. But even after the completion of such development steps, a number of uncertainty factors could remain so that the criteria for capitalization cannot be considered satisfied.

Given premature capitalization, there is a risk that a project would fail and that the costs offset could not be justified, but would have to be expensed directly. In turn, this would imply that previous and current year results would be misleading because of an excessively optimistic assessment of the likelihood of success. The Board is of the opinion that the ongoing development projects in the company today do not fulfill all criteria for capitalization.

NOTE 2. REVENUE
Revenue for 2011 was MSEK 55.9 and comprise product sales of MSEK 34.6 and milestone payments of MSEK 21.4. In 2010, revenue was MSEK 8.5, of which product sales were MSEK 5.3 and milestone payments were MSEK 3.2.

In 2011, the company had one customer which accounted for 85 percent (86 percent) of consolidated revenue (customer with registered office in Sweden).

Revenue by Geographic market

	2011	2010
Europe	49,842	8,313
America	2,329	104
Rest of the world	3,773	94
	55,943	**8,512**

Out of total revenue in Europe in 2011, revenue in Sweden comprised MSEK 47.8. The corresponding figure for 2010 was MSEK 7.3. The company receives revenue in Sweden from product sales and milestone payments for a number of markets outside Sweden.

Revenue by product group

	2011	2010
Nalox	55,658	8,308
Kaprolac	285	204
	55,943	**8,512**

NOTE 3. SEGMENT INFORMATION
Moberg Derma's operations encompass the development and commercialization of medical products. As all activities are conducted in one operating segment, there is no separate segment information to report.

NOTE 4. OTHER OPERATING INCOME

	2011	2010
Grants received	3,519	2,700
Other	17	85
	3,536	**2,785**

The received research grants concern research funding from Vinnova, Moberg Derma matches research grants with its own resources. Research grants are paid when interim and final goals in a project are accounted for using a pre-determined timeframe.

NOTE 5. EXPENSES BY NATURE OF EXPENSE

Operating costs

	2011	2010
Cost of goods sold	16,630	2,849
Personnel expenses	19,075	15,464
Depreciation and amortization	464	145
External R&D expenses	18,347	12,678
Other external expenses	12,561	13,130
	67,077	**41,416**

Depreciation and amortization by function

	2011	2010
Research and development expenses	276	94
Marketing and administration expenses	188	51
	464	**145**

NOT 6. LEASING

Moberg Derma has no finance lease commitments. Moberg Derma's operating leases are shown below. Operating leases are charged as expenses in the statement of comprehensive income on a straight-line basis over the term of the lease. The total amount of future minimum lease payments relating to non-cancellable operating leases at the balance sheet date is as follows:

Operating leases

	Rental agreement premises	Machinery and equipment
Due for payment within one year	1,545	84
Due for payment within one to five years	4,806	183
Due for payment later than five years	–	–
	6,351	**266**

Expenses for operating leases amounted to:

Operating lease payments

	2011	2010
Rent for premises	1,365	326
Rent for parking	121	26
Cleaning contract	79	35
Rent for machinery	91	50
	1,656	**437**

NOTE 7. EMPLOYEES

Number of employees

	Average number of employees			Number of employees at Dec 31
	Women	Men	Total	Total
2011	8	5	13	15
2010	5	5	10	10

All personnel are employed in Sweden.

Report on gender distribution in management

	Dec. 31, 2011			Dec. 31, 2010		
	Women	Men	Total	Women	Men	Total
Board of Directors	1	6	7	1	5	6
Other Senior Executives	1	5	6	1	5	6

Sick leave

	2011	2010
Women	5.9%	4.9%
Men	0.8%	0.7%
Total	**4.0%**	**2.8%**
Age distribution		
Age > 50	1.9%	0.0%
Age 30-49	3.1%	3.5%
Age < 29	0.7%	1.2%
	4.0%	**2.8%**
Of which continuous sick leave > 60 days	3.1%	2.4%

Salary, social security expenses and pensions

	2011	2010
Salaries and other remuneration including retirement benefit costs	13,153	10,527
Expenses for employee stock options schemes	1,447	985
Social security contributions	3,960	3,553
Training	82	67
Recruitment	77	93
Other expenses	356	239
	19,075	**15,464**
Of which, retirement benefit costs	1,601	1,313

In 2011, variable compensation for all employees was MSEK 2.1, representing approximately 17 percent of the company's total salary expense. All permanent employees who have been employed for more than six months have a variable salary component, which is linked to the fulfillment of individual and company goals for the year.

Senior executive benefits

Board and committees

The Chairman and other members of the Board receive Directors' fees in accordance with a resolution of the general shareholders' meeting.

The Chief Executive Officer

For 2011, the company paid a basic salary of MSEK 1.2 and variable compensation of MSEK 0.6 to the CEO, Peter Wolpert. The CEO has a defined contribution pension, which means that the company has no further pension obligations in addition to those stated here. Premium payments equivalent to 25 percent of the basic salary have been made in 2011.

Other senior executives
The compensation paid to other senior executives consists of a basic salary, variable compensation, other benefits and pensions. Other senior executives refer to five individuals who comprise the management team together with the CEO. In addition to the CEO, the management team consists of the following individuals in 2011:

- Vice President, Clinical Development and Medical Affairs
- Director of Investor Relations
- Chief Financial Officer
- Vice President, Sales & Marketing
- Legal Counsel

The distribution between basic salary and variable pay is proportionate to the executive's responsibilities and authority. In cases where variable compensation is paid, such compensation is based partly on the group's results and partly on individual qualitative parameters. Pension premiums are capped at 27 percent of the basic salary. The pensionable income comprises only the basic salary.

In case of termination by the company senior executives are entitled to salary during a termination period of three to nine months.

Remuneration and other benefits for senior executives in 2011

	Basic salary/ Directors' fees	Variable salary	Other benefits	Pension expenses	Share based compensation[24)]	Other compensation	Total
Chairman of the Board, Mats Pettersson	225	–	–	–	–	11[25)]	236
Deputy Chairman of the Board, Wenche Rolfsen	263[26)]	–	–	–	–	3[27)]	266
Director, Gustaf Lindewald	100	–	–	–	–	–	100
Director, Bertil Karlmark	100	–	–	–	–	–	100
Director, Torbjörn Koivisto	100	–	–	–	–	–	100
Director, Peter Rothschild (elected April 18, 2011)	100	–	–	–	–	–	100
CEO, Peter Wolpert	1,181	551	–	284	85	–	2,100
Other senior executives (5 pers.)	2,841	902	–	620	905	2,732[28)]	8,001
Total	**4,910**	**1 453**	**0**	**904**	**990**	**2,747**	**11,003**

Incentive schemes
Moberg Derma has introduced share-based incentive schemes comprising employee stock options. The schemes are designed to promote the company's long-term interests by incentivizing and rewarding certain Directors, senior executives and other employees. All permanent employees at December 31, 2011 who have been employed by Moberg Derma for more than 12 months are either shareholders or covered by Moberg Derma's incentive schemes. The total number of shares and employee stock options held by Directors, the CEO and other Senior Executives is presented in the overview of the Board on page 79 and management on page 78. For more information on share related compensation please see Note 19.

NOTE 8. INFORMATION ON REMUNERATION OF THE AUDITOR

Ernst & Young	2011	2010
Audit assignment	169	181
Auditing in addition to principal assignment	211	271
Tax advice	56	0
Other services	48	124
	484	**576**

Audit assignment refers to the audit of the annual report and accounting records as well as the Board of Directors' and CEO's management of the company, other tasks incumbent upon the company's auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the carrying-out of such other tasks. Auditing in addition to the principal assignment refers to the examination of interim reports, with everything else defined as other services.

24) These expenses do not entail a right to payments and do not affect the company's cash flow. Estimated expenses for social-security contributions are not included in the carrying amounts.
25) Compensation for travel expenses.
26) The Directors' fee paid to Rolfsen Consulting AB includes remuneration corresponding to social-security contributions.
27) Compensation for travel expenses.
28) Magnus Persson (Director of Investor Relations) and Fredrik Granström (Legal Counsel) are working on a consultancy basis through TolvPlus4 AB.

NOTE 9. DEPRECIATION OF TANGIBLE ASSETS AND AMORTIZATION OF INTANGIBLE ASSETS

	2011	2010
Equipment and tools	449	130
Intangible assets	14	14
	464	**145**

NOTE 10. FINANCIAL ITEMS

Interest income and similar items

	2011	2010
Interest income	1,241	165
Other financial income	–	–
	1,241	**165**

Interest expense and similar items

	2011	2010
Interest expense	28	77
Other financial expenses	–	1 000
	28	**1 077**

NOTE 11. TAX

Tax recognized in the income statement

	2011	2010
Current tax	0	0
Deferred tax	0	0
Applicable tax rate in Sweden	26.3%	26.3%

Difference between tax recognized in the income statement and tax based on applicable tax rate

	Parent company		Group	
	2011	**2010**	**2011**	**2010**
Results before tax	–6,384	–31,031	–6,384	–31,031
Tax at applicable tax rate	–1,679	–8,161	–1,679	–8,161
Non-taxable income	–1	–	–1	–
Non-deductible expenses	375	442	375	442
Costs that are deductible but not included in the carrying amount	–1,305[29)]	–	–1,305[29)]	–
Other	–	–629	–	–629
Tax effects of deficit for which tax asset is not taken into account	–2,610	–8 348	–2,610	–8,348
Reported effective tax	0	0	0	0

Deferred tax

	Parent company		Group	
	2011	**2010**	**2011**	**2010**
Tax losses brought forward	–110,910	–79,167	–110,917	–79,175
Tax loss for the year	–9,922	–31,743	–9,921	–31,742
Tax losses carried forward	**–120,832**	**–110,910**	**–120,839**	**–110,917**

Deferred tax assets are recognized to the extent it is considered likely that the loss carry-forwards will result in lower tax payments in the future. At year-end 2011, the Board's assessment was there was no compelling reason that the losses could be utilized, which is why they are not assigned any value in the 2011 financial year. In March, 2012 the Board assessed that the company's development makes it likely that future taxable profit will be generated and can be offset with the unused tax losses, which it was why the losses were assigned a value for the 2012 financial year. Current operating loss carry-forwards can be utilized indefinitely.

There are no temporary differences between book value and tax value.

29) Issue costs that are reported within equity

NOTE 12. EARNINGS/LOSS PER SHARE

Calculations have been made in accordance with IAS 33 Earnings per Share. Basic earnings per share are calculated by dividing the results for the year by a weighted average number of shares outstanding during the year.

	2011	2010
Net consolidated profit/loss	–6,384	–31,031
Weighted average number of basic shares	7,781,910	6,109,041
Dilution effect of warrant/employee stock option schemes	–	–
Weighted average number of diluted shares	7,781,910	6,109,041
Basic earnings/loss per share	–0.82	–5.08
Diluted earnings/loss per share	–0.82	–5.08

As the group reports a negative result, the outstanding warrants do not give rise to dilution. This is because dilution is only reported when a potential conversion into ordinary shares would result in lower earnings per share. In total, there are 407,169 outstanding warrants which could be converted into 654,338 shares, increasing the total number of shares from 9,079,020 to 9,733,358, resulting in a dilution of 6.7 percent.

NOTE 13. PATENTS, LICENSES AND SIMILAR RIGHTS

	2011	2010
Opening accumulated acquisition cost	300	300
Acquisitions during the year	–	–
Closing accumulated cost	300	300
Amortization at the beginning of the year	–29	–14
Amortization for the year	–14	–14
Closing amortization	–43	–29
Carrying amount at the end of the year	**257**	**271**

If the intellectual property rights acquired in 2006 were to generate revenue in excess of MSEK 10 a supplemental purchase amount would be payable to Mobederm AB, which, as a major shareholder, is a related party to the parent company. The supplemental purchase amount has not been recognized as a liability. It is payable in the form of royalties on revenue and is capped at MSEK 5, see Note 28.

NOTE 14. TANGIBLE ASSETS

	2011	2010
Opening acquisition value	769	610
Investments	585	159
Sales/disposals	–50	–
Closing acquisition value	1,304	769
Opening depreciation	–358	–227
Depreciation for the year	–449	–130
Closing depreciation	–807	–358
Carrying amount at the end of the year	**497**	**411**

NOTE 15. INVENTORIES

Moberg Derma's inventories consist solely of finished goods.

NOTE 16. TRADE RECEIVABLES AND OTHER RECEIVABLES

	2011	2010
Trade receivables	10,415	6,638
Doubtful receivables provisions	–277	–
Carrying amount at the period end, Trade receivables	10,139	6,638
Other receivables	592	1,169
	10,731	**7,806**

The fair value of trade receivables is equivalent to book value. The maximum exposure to credit risk at the balance sheet date corresponds to the carrying amount of trade receivables and other receivables. Out of trade receivables of MSEK 10.1, trade receivables of a single client comprised MSEK 5.6 or 56 percent of the trade receivables at the year-end. Consolidated trade receivables excluding overdue trade receivables and trade receivables with current impairment requirements at December 31, 2011 was MSEK 7.5 (1.7).

At December 31, 2011, trade receivables amounting to MSEK 2.7 (4.9) were overdue without any need for impairment. An age structure analysis is presented below.

Age structure of trade receivables past due

	2011	2010
Less than 3 months	2,681	4,896
3 to 6 months	–	16
More than 6 months	–	–
	2,681	**4,912**

Change in provisions for doubtful receivables

	2011	2010
Per January 1	–	–
Additional provisions for doubtful receivables	277	–
Receivables written off during the year that are not collectable	–	–
Unused amounts reversed	–	–
Carrying amount at the end of the period	**277**	**0**

NOTE 17. PREPAID EXPENSES AND ACCRUED INCOME

	2011	2010
Accrued income	3,802	344
Rent for premises	440	148
Other property expenses	19	12
Insurance expenses	301	220
Pension expenses	133	140
Other prepaid expenses	981	23
	5,677	**887**

NOTE 18. CASH AND CASH EQUIVALENTS

Moberg Derma receives interest on cash and cash equivalents at rates based on the banks' daily deposit rates. Cash and cash equivalents are as follows in the cash flow statement:

	Parent company		Group	
	2011	2010	2011	2010
Cash and bank balances	73,959	2,669	74,052	2,761
Carrying amount	73,959	2,669	74,052	2,761

19. SHARE-BASED PAYMENT

Employee stock options

	2008:1	2008:2	2009:1	2010:1	2010:2	2011:1
Start day	2008-06-30	2008-06-30	2009-04-20	2010-05-19	2010-05-19	2011-04-18
Closing date [30]	2016-06-30	2016-06-30	2017-06-30	2018-06-30	2018-06-30	2015-12-31
Vesting date	Direct and 2009-12-31	2009-12-31	2010-12-31	2011-12-31 /2012-12-31	2011-12-31 /2012-12-31	2013-12-31
Exercise price, SEK per share	16.55	32.75	32.75	32.75	32.75	29.00
Number originally allocated	30 000	16 498	13 833	89 501	40 576	121 747
Outstanding, January 2011	30 000	13 832	13 500	89 501	40 576	–
Allocated in 2011	–	–	–	–	–	121 747
Forfeited in previous years	–	2 666	333	–	–	–
Forfeited in 2011	–	–	–	–	–	–
Exercised in 2011	–	–	–	–	–	–
Expired in 2011	–	–	–	–	–	–
Outstanding, December 31, 2011	30 000	13 832	13 500	89 501	40 576	121 747
Number of shares subscribable through employee stock options	**60 000**	**27 664**	**27 000**	**179 002**	**81 152**	**121 747**
Vested, December 31, 2011	30 000	13 832	13 500	44 751	20 288	–

30) Moberg Derma's 2008:1, 2008:2, 2009:1, 2010:1 and 2010:2 employee stock option programs are impacted by the stock exchange listing of the company in that the last subscription day for these programs was shortened as follows: 2016-06-30 for the 2008:1 and 2008:2 programs, 2017-06-30 for the 2009:1 program and 2018-06-30 for the 2010:1 and 2010:2 programs.

The employee stock options are issued by the subsidiary Moberg Derma Incentives AB. The options may be exercised by the holder at any time after the vesting day through the closing date, where each employee stock option entitles the holder to subscribe to one warrant. Each warrant in turn entitles the holder to subscribe to two ordinary shares in Moberg Derma, with the exception of the 2011:1 employee stock option program, which entitles holders to one ordinary share per warrant. If employment is terminated, any allocated, unvested employee stock options are forfeited.

For employee stock options entitling the holder to acquire warrants which automatically and simultaneously are exercised to subscribe for new shares, Moberg Derma is required to pay social-security contributions on the difference between the market price of the share at the time when the option is exercised and the exercise price paid by the employee. The expected social-security contributions have been calculated and a provision has been made in the accounts.

The fair value of the employee stock options allocated during the period was determined using the Black-Scholes valuation model with SEK 6.79 per option in the 2011:1 program. Key input data used in the model were market price per share SEK 29.00, exercise price of SEK 29.00, volatility 25 percent, expected term approximately 3.7 years, staff turnover 0 percent and no dividend payments.

The group's expenses for employee stock option schemes (including estimated expenses for social-security contributions) for January to December 2011 were SEK 1.3 million, compared with SEK 1.2 million the year before.

In total, 407,169 warrants have been issued to the subsidiary Moberg Derma Incentives AB. These warrants are intended to be transferred and used for subscription of new shares upon exercise of the same number of employee stock options and to cover any social security contributions arising from the utilization of employee stock options.

Warrants

	Subsidiary	Total
2008 – Closing date for subscription: 2018-12-31 Subscription price SEK 0.10	61,573	61,573
2009 – Closing date for subscription: 2019-12-31 Subscription price SEK 0.10	21,849	21,849
2010 – Closing date for subscription: 2019-12-31 Subscription price SEK 0.10	163,747	163,747
2011 – Closing date for subscription: 2015-12-31 Subscription price SEK 0.10	160,000	160,000
	407,169	**407,169**

If all 407,169 outstanding warrants were to be exercised to subscribe for shares, the total number of shares would increase by 654,338 shares, from 9,079,020 shares to 9,733,358 shares, corresponding to a dilution of 6.7 percent.

20. INTEREST-BEARING LIABILITIES

Moberg Dermas interest-bearing liabilities consists of a conditional loan[31] from ALMI Företagspartner of MSEK 0.15 related to the development of a hand disinfection product. The loan is carried at fair value. The loan is due for repayment within one year and has been accounted for as a current liability. The loan is a variable rate loan, with an interest rate of 9.53 percent at December 31, 2011. No collateral is pledged for the loan.

21. OTHER CURRENT LIABILITIES

	2011	2010
Current portion of conditional loan from ALMI	150	190
Employee withholding taxes	327	254
Settled social-security contributions	267	208
Provision for social-security contributions for employee stock option schemes	628	727
	1,372	**1,378**

31) Conditional loan, as provided for in the Swedish Ordinance on Government Funding through Regional Development Assistance (SFS 1994:1100). If the project cannot be utilized commercially, ALMI may grant exemption from payment of the loan and interest.

22. ACCRUED EXPENSES AND DEFERRED INCOME

	2011	2010
Deferred income	1,402	–
Accrued R&D expenses	384	511
Accrued personnel expenses	3,843	3,178
Accrued Board expenses	497	247
Accrued auditing fee	155	90
Other accrued expenses	989	1,243
	7,270	**5,269**

Accrued personnel expenses

	2011	2010
Of which, accrued salaries	2,061	1,476
Of which, accrued vacation pay liability	838	949
Of which, accrued social-security contributions	645	464
Of which, accrued retirement benefit costs	35	7
Of which, accrued payroll tax on retirement benefit costs	263	282
	3,843	**3,178**

23. FINANCIAL ASSETS AND LIABILITIES PER CATEGORY FOR THE GROUP

December 31, 2011	Assets valued at fair value in the income statement	Loans and trade receivables	Other financial liabilities	Total
Assets in the balance sheet				
Trade receivables and other receivables (excluding interim receivables)		10,731		10,731
Cash and cash equivalents		74,052		74,052
Total		**84,782**		**84,782**
Liabilities in the balance sheet				
Borrowings (excluding liabilities related to financial leasing)			150	150
Liabilities related to financial leasing			–	–
Accounts payable and other liabilities excluding financial liabilities			8,246	8,246
Total			**8,396**	**8,396**

December 31, 2010	Assets valued at fair value in the income statement	Loans and trade receivables	Other financial liabilities	Total
Assets in the balance sheet				
Trade receivables and other receivables (excluding interim receivables)		7,806		7,806
Cash and cash equivalents		2,761		2,761
Total		**10,567**		**10,567**
Liabilities in the balance sheet				
Borrowings (excluding liabilities related to financial leasing)			340	340
Liabilities related to financial leasing			–	–
Accounts payable and other liabilities excluding financial liabilities			5,936	5,936
Total			**6,276**	**6,276**

24. PLEDGED ASSETS AND CONTINGENT LIABILITIES

Moberg Derma has no contingent liabilities. In 2011, Moberg Derma entered into a rental agreement for new offices. In conjunction with the rental agreement, the company has pledged security in the form of restricted bank funds of MSEK 0.6. In addition, there are previously blocked bank deposits of MSEK 0.1.

25. INTERESTS IN GROUP COMPANIES

Interests in subsidiaries

	Corp. Reg. No.	Reg. office	No. of shares/ Share of total	Nom.value	Carrying amount
Moberg Derma Incentives AB	556750-1589	Solna	1,000,000 / 100%	100,000	100,000

26. FINANCIAL RISKS AND FINANCIAL POLICY

Financial risk management

Financing and management of financial risks are managed in the group under the governance and supervision of the Board of Directors. Moberg Derma applies a cautious investment policy.

Through its activities Moberg Derma is exposed to various financial risks, such as fluctuations in the company's earnings and cash flow caused by changes in exchange rates and interest rates as well as refinancing risk. Currently Moberg Derma's policy is to not hedge financial risks relating to loans, and transaction and translation exposures. This decision has been taken with regard to the current portion that is exposed in the group and the cost of hedging any risks.

Refinancing risk

Moberg Derma's operations are development-intensive and based on investments aimed at generating future revenue, with the company's cash and cash equivalents thereby consumed. The company's activities were previously financed through shareholder contributions through share offerings and revenue from product sales. Going forward, it is anticipated that future investments will be financed by the company's existing funds and revenue from product sales. If the opportunity arises for faster growth, such as through acquisitions, Moberg Derma may need to raise additional capital through new share issues or loans.

Refinancing risk refers to the risk that Moberg Derma will be unable to meet its obligations and continue to develop its business due to difficulties in finding providers of capital or lenders who are prepared to invest in the company or because existing loans are called.

The group has no short-term loan funding arrangements in the form of overdraft facilities. The Board of Directors deems that Moberg Derma's refinancing risk is limited, as the company has limited fixed costs and because the company has entered a commercial phase and is generating revenue.

Currency risk

Currency risk is the risk that changes in exchange rates will have a negative impact on Moberg Derma's income statement, financial position and/or cash flows. Exchange rate risks exist in the form of transaction and translation risks.

In 2011, Moberg Derma had relatively limited currency exposure, as the company's operating activities are mainly conducted in Sweden and the company had limited revenue in foreign currency during the year. The company's distribution and licensing agreements with counterparties outside Sweden are often concluded in another currency than Swedish kronor. As revenue from such agreements grow the company's currency exposure will gradually increase. Moberg Derma's revenue in foreign currency are expected to increase significantly in 2012, with exposure primarily in euro (EUR) and U.S. dollars (USD).

Moberg Derma uses contract manufacturers for production, and in 2011 the majority of production purchases were made in Swedish kronor (SEK). In 2012, the majority of production purchases are expected to be made in euro (EUR). The company's earnings are also exposed to changes in exchange rates in connection with the purchase of clinical trials, research services and material. The largest portion of these purchases is made in Swedish kronor (SEK). The co-funding of marketing activities is normally made in foreign currencies and in 2011 Moberg Derma incurred costs for the co-funding of marketing activities in U.S. dollars. Certain consulting services are purchased in Euros (EUR), British pounds (GBP) or US dollars (USD).

The group did not use currency hedging in 2011 but will regularly review the need for currency hedging as the business expands. Operating expenses for the financial year were MSEK 67.1, of which about 15 percent refers to expenses in foreign currency. Out of total net sales in 2011 of MSEK 55.9 million, about 16 percent referred to revenue in foreign currency (EUR and USD).

Operating profit was impacted during the year by net currency exchange losses of MSEK 0.4. Future revenue and expenses will be affected in foreign exchange rates.

SENSITIVITY ANALYSIS OF FOREIGN EXCHANGE 2011 (TSEK)

Effect on group revenue and operating profit/loss if the Swedish krona strengthens by 1 percent.

Currency	Revenues	Operating expenses	Operating profit/loss
Euro	-82	58	-24
GBP	0	7	7
USD	-9	26	17
DKK	0	6	6
Other	0	1	1
Total	**-91**	**98**	**7**

Interest risk and liquidity risk

Liquidity risk is the risk that the group will be unable to pay foreseen or unforeseen costs. Excess liquidity is placed in bank accounts or invested in fixed income instruments with a low interest risk, issued by established banks or credit institutions. Moberg Derma secures its short-term ability to meet payment obligations by maintaining adequate liquidity in the form of cash balances.

Outstanding interest-bearing liabilities are accounted for in Note 20. As Moberg Derma has only MSEK 0.15 million in outstanding interest-bearing interest rate risk is deemed negligible.

Counterparty risk

Counterparty risk is the risk that a party to a transaction with financial instruments will be unable to meet its obligations and thus incur a loss for the other party. Moberg Derma is exposed to counterparty risks primarily in connection with distribution and licensing agreements and financial investments. The group always carries out an assessment of potential counterparties before entering into distribution or licensing agreements. Payment of receivables due is monitored continuously, making Moberg Derma's exposure to doubtful receivables low. The group limits its current counterparty risk in connection with financial investments by investing excess liquidity with counterparties with very high creditworthiness.

27. EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred after the end of the period other than those described in the Directors' Report, see page 33.

28. RELATED PARTY TRANSACTIONS

In 2011, Moberg Derma completed the following transactions with related parties, as defined in IAS 24 Related Party Disclosures:

The company has an agreement with Mobederm AB, concerning the acquisitions of patents, patent applications and know-how. In the event that the intellectual property rights acquired by Mobederm AB generate revenue in excess of MSEK 10, an additional consideration will be paid to Mobederm AB. The supplementary purchase consideration has not been recognized as a liability, will be paid in the form of royalties on revenue and is capped at MSEK 5. Royalty payments of MSEK 2.6 were made to Mobederm AB in 2011, who is a shareholder in Moberg Derma.

Moberg Derma entered into a loan agreement of MSEK 4 with Bank von Roll AG, a shareholder in the company. The loan was settled in March 2011 by offsetting with a new issue of shares.

Magnus Persson and Fredrik Granström (members of the company's management team) work for Moberg Derma on a consultancy basis through TolvPlus4 AB. The company has ongoing service contracts with TolvPlus4 AB, which replaces the previously consultancy agreement with Streamson AB. The service contracts, which were initiated in 2006, have been renewed repeatedly. The services have been, and continue to be, performed by Magnus Persson and Fredrik Granström, who both hold stakes in TolvPlus4 AB and Streamson AB, while they both have indirect shareholdings, through TolvPlus4 AB and Streamson AB, in Moberg Derma.

Information on compensation paid to the Directors and management is provided in Note 7.

All transactions with related parties have been made on market terms for the company.

No other Directors or senior executives, or related parties to these, have or have had any direct or indirect involvement in any business transactions with Moberg Derma that are or were unusual in terms of their character or contract terms and that took place in the current year. Nor has Moberg Derma made loans, issued guarantees or provided surety bonds to or on behalf of any of the Directors, senior executives or auditors of the company.

ASSURANCE BY THE BOARD OF DIRECTORS

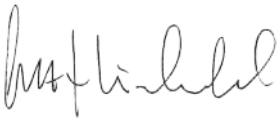
The Board of Directors and Chief Executive Officer certify that the annual report has been prepared in compliance with generally accepted accounting principles and gives a true and fair view of Moberg Derma's financial position and results and that the Directors' Report gives a true and fair overview of the development of Moberg Derma's business, financial position and results and describes significant risks and uncertainties faced by Moberg Derma.

Mats Pettersson
Chairman of the Board

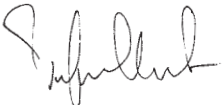
Wenche Rolfsen
Deputy Chairman of the Board

Peter Wolpert
CEO and Board member

Bertil Karlmark
Board member



Gustaf Lindewald
Board member



Torbjörn Koivisto
Board member

Peter Rothschild
Board member

Our audit report was issued on March 29, 2012
Ernst & Young AB

Magnus Fagerstedt,
Authorized Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of Moberg Derma AB (publ)
Corporate registration number 556697-7426

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Moberg Derma AB (publ) for the financial year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 31-66.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation, of the annual accounts in accordance with the Annual Accounts Act and, of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINIONS

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the consolidated statement of comprehensive income and the consolidated statement of financial position for the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Moberg Derma AB (publ) for the financial year 2011.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINIONS

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 29, 2012
Ernst & Young AB

Magnus Fagerstedt
Authorized Public Accountant

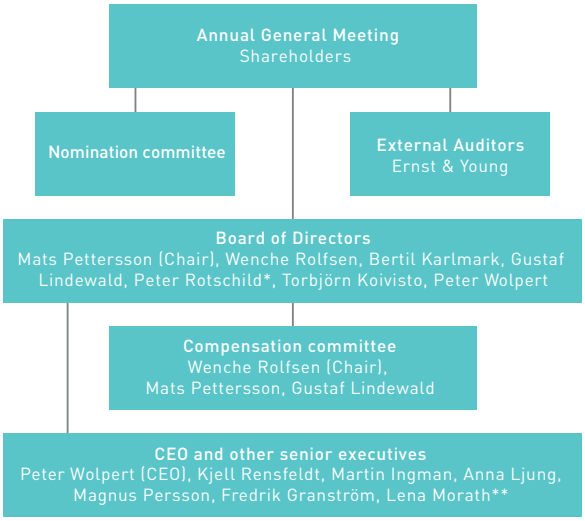
CORPORATE GOVERNANCE REPORT

Moberg Derma AB (publ), corporate registration number 556697-7426 is a Swedish limited liability company headquartered in Stockholm, Sweden. Prior to its listing on NASDAQ OMX Stockholm the company's corporate governance activities were based on Swedish law and internal rules and regulations. The company was listed on the NASDAQ OMX Nordic Exchange Stockholm on May 26, 2011, thereafter also adhering to NASDAQ OMX Nordic Exchange Stockholm's rules for issuers and applying the Swedish Code of Corporate Governance ("Code") from that date.

The Code applies for all Swedish companies whose shares are listed on a regulated market in Sweden and must be applied in full by the date of the first Annual General Meeting held after the listing. Companies are not required to comply with all rules contained in the Code but may choose alternative solutions which are deemed to be more appropriate for each company's specific circumstances, provided that any deviations are accounted for, the alternative solution is described and the reasons explained (the "comply or explain" principle) in the company's corporate governance report. Moberg Derma has deviated from the Code only in the case of incentive programs introduced before the Code became applicable (May 26, 2011) as described below under "Share and share related incentive schemes."Information about the Code can be found at www.bolagsstyrning.se.

Good corporate governance is an essential component in the work of creating value for Moberg Derma's shareholders. The objective is to create good prospects for an active and responsible ownership role, a well-balanced division of responsibility between the owners, Board of Directors and management and transparency towards owners, the capital markets, employees and society at large. The figure to the right illustrates Moberg Derma's corporate governance model and how the central bodies operate.

MOBERG DERMA'S CORPORATE GOVERNANCE MODEL



*Elected in April 2011 **Joined in January 2012

Internal regulatory structures and policies that affect corporate governance:

- Articles of Association
- Board of Directors' Rules of Procedure and CEO's Instructions
- Compensation Guidelines for Senior Executives
- Risk Management Policy
- Finance Policy
- IT Policy
- Accounting Handbook
- HR Handbook
- Attest Instructions
- Information Policy
- Code of Conduct

External regulatory structures that affect corporate governance:

- The Swedish Companies Act
- Accounting standards
- NASDAQ OMX Stockholm's rules for issuers
- The Corporate Governance Code

SHAREHOLDERS' MEETINGS

In accordance with the Swedish Companies Act, the general meeting of shareholders is the company's highest decision-making body. At general shareholders' meetings shareholders exercise their right to vote on key issues, such as the adoption of the statement of comprehensive income and financial position, the appropriation of the company's earnings, discharge from liability for the Board of Directors and Chief Executive Officer, election of Directors and auditors, and compensation of Directors and auditors. Extraordinary General Meetings (EGMs) may be held in addition to the Annual General Meeting (AGM). The company's articles of association state that notice of an AGM or EGM must be given by advertisement in *Post- och Inrikes Tidningar* and Moberg Dermas webpage. Information that notice of an AGM or EGM have taken place is published in *Dagens Industri*.

RIGHT TO ATTEND A GENERAL SHAREHOLDERS' MEETING

All shareholders who are registered in their own name in the register of shareholders maintained by Euroclear Sweden AB five working days before the general shareholders' meeting, and have notified the company of their intention to attend the meeting (along with any accompanying assistants) no later than the date and time stated in the notice of the meeting, have the right to attend the meeting and vote all their shares. Shareholders can participate in the meeting personally or by proxy and can also be assisted by up to two persons. Shareholders can normally register for a general shareholders' meeting in several ways, as indicated in the notice of the meeting.

SHAREHOLDER INITIATIVES

Shareholders who wish to request that a particular issue be addressed at a general shareholders' meeting are required to submit a written request to the Board of Directors. Such requests must normally be received by the Board no later than seven weeks before the meeting.

Given the composition of the company's owners, it is not considered justified in view of the company's financial status to provide simultaneous interpretation to another language nor to translate shareholder meeting material or minutes.

Information about past shareholders meetings is available on Moberg Derma's website. The website also provides information on shareholders' right to have matters considered at the meeting and the deadline before which such requests must reach the company.

The 2011 AGM took place on April 18, 2011. The meeting was attended by 12 shareholders, in person or by proxy, representing 42.9 percent of the shares and 51.0 percent of the votes of Moberg Derma. The Chairman of the Board, Mats Pettersson, was elected chairman of the meeting. The CEO and all Directors attended the meeting. The minutes from the AGM are available at www.mobergderma.se under corporate governance. At the AGM, shareholders resolved to authorize the Board until the next AGM to decide on the issuance of new shares, on one or more occasions, with preferential rights or deviating from shareholders' preferential rights. This mandate allows for the issuance of shares not exceeding the upper limits of the company's articles of association concerning number of shares. Prior to the 2012 AGM, the Board proposes shareholders to authorize issuing of new shares at a total not exceeding 10 percent of outstanding shares in the company.

THE BOARD OF DIRECTORS

After the general shareholders' meeting, the Board of Directors is the company's highest decision-making body. Under the Companies Act, the Board of Directors is responsible for the company's administration and organization, which means that the Board is responsible for adopting goals and strategies, ensuring that procedures and systems for evaluating adopted goals are put in place, monitoring Moberg Derma's financial position and results, and evaluating the company's operational management. The Board is responsible for ensuring that the annual report and consolidated financial statements and interim reports are prepared in time. It also appoints the Chief Executive Officer. Directors are elected each year at the AGM for the period until the end of the next AGM. The articles of association state that the Board should consist of at least three and no more than ten directors and up to two deputy directors. There shall be no appointment of deputies to AGM-elected directors according to the Code.

The Chairman of the Board is elected by the AGM and holds a special responsibility for leading the work of the Board and ensuring that the Board operates in an organized and efficient manner. The Chairman is not involved in the operational management of the company.

The Board of Directors operates in accordance with written rules of procedure which are reviewed and adopted annually at the constituent Board meeting. The rules of procedure regulate Board

routines, functions and the division of responsibilities between the Directors and CEO. In conjunction with the first Board meeting, the Board also establishes instructions for financial reporting and instructions for the CEO.

The Board normally convenes four to six times a year. In addition to these meetings, further meetings can be arranged to address issues which cannot be deferred to a regular meeting. The Chairman and CEO also conduct a continuous dialogue concerning the company's senior executives. Moberg Derma's Board currently consists of seven Directors. Moberg Derma's Directors are presented in the Annual Report on page 79.

THE COMPENSATION COMMITTEE

The Board has a compensation committee, which prepares proposals on compensation issues. The committee consists of three Directors, Wenche Rolfsen (committee Chairman), Mats Pettersson and Gustaf Lindewald. All are independent in relation to the company and the company's senior executives. The committee's principal tasks are to (i) prepare the Board's decisions on issues relating to principles of compensation, remuneration and other terms of employment for management, (ii) monitor and evaluate ongoing and recently completed variable compensation schemes for management, and (iii) monitor and evaluate the application of guidelines for compensation of senior executives that are legally subject to approval by the AGM and of applicable structures and levels of compensation in the company. Decisions on compensation issues must, after drafting by the committee, be adopted by the Board as a whole.

THE AUDIT COMMITTEE

The Board currently has no audit committee. In the opinion of the Board, those duties which would be executed by an audit committee are better executed by the Board as a whole. The Board reviews the need for an audit committee on an annual basis. The Board's rules of procedure contain guidelines for the Board, as it performs its obligations in the capacity of audit committee. As such, the Board's duties include preparing and monitoring issues relating to (i) monitoring and quality assurance of the company's financial statements, (ii) meeting regularly with the company's auditor to obtain information and opinions concerning the focus, scope and content of audit assignments and of the annual report and consolidated financial statements, and to engage in discussions on the auditor's views on the risks faced by the company, (iii) assess and monitor the auditor's impartiality and independence and adopt guidelines for authorized procurement of other services from the company's auditor, and (iv) evaluate the auditor's performance and inform the nominating committee of the results of the evaluation.

THE CEO AND OTHER SENIOR EXECUTIVES

The CEO reports to the Board of Directors and is primarily responsible from the company's day-to-day operations. The division of responsibilities between the Board of Directors and CEO is set out in the rules of procedure governing the activities of the Board and the instructions for the CEO. The CEO is also responsible for drafting reports and compiling information from management in preparation for Board meetings and for presenting the material at the meetings. Under the instructions for financial reporting, the CEO is responsible for financial reporting in the company and is thus required to ensure that the Board obtains sufficient information to enable it to continuously evaluate Moberg Derma's financial position.

The CEO is required to keep the Board informed on Moberg Derma's development, the company's results and financial

	Attendance (no. of meetings 2011)				Independent in relation to:	
	Board meetings (10)	Compensation committee (3)	Directors' fees 2011, KSEK	Elected	The company	Owners
Chairman of the Board, Mats Pettersson	10	3	225	2010	Yes	Yes
Deputy Chairman of the Board, Wenche Rolfsen [32]	10	3	263	2010	Yes	Yes
Director, Gustaf Lindewald	10	3	100	2006	Yes	Yes
Director, Bertil Karlmark	9		100	2006	Yes	Yes
Director, Torbjörn Koivisto	10		100	2009	Yes	No
Director, Peter Rothschild (elected April 18, 2011)	6		100	2011	Yes	Yes
CEO, Peter Wolpert	10		0	2006	No	No

32) Directors' fees till Rolfsen Consulting AB also includes compensation equivalent to social security contributions.

position, liquidity and credit situation, important business events and other circumstances that cannot be assumed to be irrelevant for the company's shareholders (including material disputes, the termination of agreements that are important for Moberg Derma and significant circumstances affecting the company's products and projects). The CEO and senior management are presented in more detail in the Annual Report on page 78.

COMPENSATION OF DIRECTORS AND SENIOR EXECUTIVES

Compensation of Directors

Fees and other compensation of Directors, including the Chairman, are set by the general shareholders' meeting. At the AGM on April 18, 2011 it was resolved that Directors' fees, provided that admission to trading on NASDAQ OMX Stockholm took place in 2011, totaling SEK 825,000, excluding social-security contributions, to be paid and distributed as follows: SEK 225,000 to the Chairman, SEK 200,000 to the Deputy Chairman and SEK 100,000 to the other Directors, with the exception of Peter Wolpert, CEO, who will not receive Directors' fees. In addition, compensation for travel expenses of up to SEK 30,000 was paid to the Chairman, Mats Pettersson, who is resident outside Sweden. It was noted that the AGM had no objection to the payment of Directors' fees and compensation for travel expenses to companies indicated by a Director provided that the payment is cost-neutral for Moberg Derma.

With the exception of the employee stock options allocated to certain Directors, none of the company's Directors are entitled to any benefits after retiring from the Board.

Compensation of senior executives

At the AGM on April 18, 2011, shareholders resolved on the following compensation guidelines for Moberg Derma's senior management: The compensation paid to the CEO and other senior executives consists of a basic salary, variable compensation, other benefits and pension benefits. The total compensation is based on the basic salary and must be proportionate to the executive's responsibilities and authority. Variable compensation is capped at 50 per cent of each executive's basic annual salary and is based on results achieved in relation to individually defined qualitative and quantitative targets. The pensionable salary comprises only the basic salary. In case of termination by the company, senior executives are entitled to salary during a termination period of three to six months. With the exception of the stock options allocated to certain employees and what is provided for under existing employment contracts, as described above, no senior executive is entitled to any post-employment benefits.

Share-based incentive schemes

Moberg Derma has introduced share-based incentive schemes comprising warrants and employee stock options. The schemes are

COMPENSATION FOR SENIOR EXECUTIVES

	Basic salary	Variable compensation	Other benefits	Pension expenses	Share-related incentives [33]	Other compensation [34]	Total
CEO, Peter Wolpert	1,181	551	-	284	85	-	2,100
Other senior executives (5 pers.)	2,841	902	-	620	905	2,732	8,001
Total	**4,022**	**1,453**	**0**	**904**	**990**	**2,732**	**10,101**

designed to promote the company's long-term interests by incentivizing and rewarding certain Directors, senior executives and other employees. The employee stock options have been allocated free of charge. All permanent employees who have been under the company's employ for at least 12 months at December 31, 2011 are either shareholders or covered by the company's incentive schemes. The number of shares held by Directors, the CEO and other senior executives is presented in the Annual Report on page 78-79.

Until 2011 Moberg Derma's incentive schemes were based on employee stock options with vesting periods stretching over several years. An employee may, for instance, earn his or her first options after two years' employment with further entitlements after years 3, 4 and 5. The rationale behind the incentive structure is partly to spread the vesting period over several years and partly to allow for flexibility in allocating options; instead of fixing the allocation for new recruits in year 1, the current structure allows for adjustments in schemes for future years when it has become clear how well the employee has performed and whether he or she will assume a greater or lesser role in the company than was originally intended. As an adaption to the Code, future employee stock option schemes will have a vesting period of at least three years.

Employee Stock Option Scheme 2010:2 included Directors Wenche Rolfsen and Mats Pettersson. The Code states that stock options should not be included in remuneration for Directors. The company does not intend to introduce new stock option schemes including Directors in future.

AUDIT

The auditor is tasked with auditing the company's annual report and accounts as well as the Board and CEO's administration of the company. After the end of each financial year the auditor is required to submit an audit report and consolidated audit report to the AGM.

Moberg Derma's Company Auditor is the auditing firm Ernst & Young AB with authorized public accountant Magnus Fagerstedt as Auditor in charge. The company's auditors are presented in more detail in the Annual Report on page 79.

Compensation of auditors

The compensation paid to the auditor is subject to the approval of the general shareholders' meeting. The general shareholders' meeting on April 18, 2011 resolved to approve compensation of the auditor as per approved invoice.

In 2011, compensation of MSEK 0.5 was paid to the auditor, of which MSEK 0.2 refers to audit assignments, MSEK 0.1 refers to audit endeavors beyond the assignment and MSEK 0.2 to other assignments. Audit assignments refers to the examination of the annual report and accounting records and of the Board of Directors and CEO's administration of the company, other tasks incumbent on the auditor as well as advice and other assistance occasioned by observations made in the course of such examinations or the performance of such other tasks. Audit endeavors beyond the assignment are audit of interim reports, with everything else being other services.

NOMINATION COMMITTEE

The Nomination Committee prepares proposals for electing and remunerating the Board of Directors and Chairman of the Board, and where applicable, Auditors, and methods for appointing a Nomination Committee and its Chairman, which will be presented in the notice convening the 2012 AGM.

The Nomination Committee procedure adopted at the AGM on April 18, 2011 involves the Chairman of the Board contacting the three largest shareholders or groups of owners in terms of the number of votes (hereby referring to both directly registered shareholders and nominee registered shareholders), according to Euroclear's share register on September 30, 2011. These parties are offered the opportunity to each appoint a representative, who together with the Chairman of the Board will make up the Nomination Committee for the time until a new Nomination Committee is appointed by mandate from the next AGM. If any of these shareholders declines the entitlement to appoint a representative, this entitlement transfers to that shareholder with the largest shareholdings after these shareholders until the nomination committee consists of four members.

If a member leaves the committee before his or her work is completed and if the committee considers it necessary to replace the

33) These costs involve no payment and do not affect the company's cash flow. Estimated costs for social security contributions are not included in reported values.
34) Magnus Persson (Head of Investor relations) and Fredrik Granström (Legal counsel) work on a consultancy basis for the company through TolvPlus4 AB.

NOMINATION COMMITTEE FOR THE 2012 ANNUAL MEETING

Name	Representing	Percentage of shares and votes Sept. 30, 2011	Percentage of shares and votes Dec. 31, 2011
Per-Olof Edin	Östersjöstiftelsen	25.05%	25.05%
Conny Bogentoft	SIX SIS AG	20.67%	20.67%
Oscar Ahlgren	Mohammed Al Amoudi	9.06%	9.57%
Mats Pettersson	The Board of Moberg Derma	0.07%	0.07%
Total		**54.85%**	**55.36%**

member, the nomination committee will appoint a new member in accordance with the procedure above, but based on Euroclear's share register as soon as possible after the member steps down. Any change in the composition of the nomination committee must be announced immediately. No fee is paid to members or their work on the committee.

The nomination committee for the 2012 AGM was announced on Moberg Derma's website and in a press release on October 21, 2011. The nomination committee met three times during the year.

INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING

The all-embracing purpose of internal controls is to obtain reasonable assurance that the company's operational strategies and goals are monitored and that shareholders' investments are protected. Additionally, internal controls should provide reasonable assurance that external financial reporting is reliable, and prepared in accordance with generally accepted accounting practice, that applicable laws and ordinances are followed, and that the requirements of listed companies are observed. At Moberg Derma, internal control over financial reporting is designed to for example ensure efficient and reliable management and accounting of purchases and sales, other revenue recognition and accounting of the company's financing arrangements. The company's internal control comprises the following five components: control environment, risk assessment, control activities, information and communication and monitoring.

Control environment

The control environment within Moberg Derma forms the framework of the direction and culture with which the company's Directors and management communicates its message to the organization. Internal management and control in accordance with customary frameworks is highly prioritized. Moberg Derma's Directors and management define and design decision paths, authorities and responsibilities that are clearly defined and communicated throughout the organization. The company's Directors also strives to ensure that steering documents, as well as internal policies and guidelines, cover identified areas of significance, and that these provide the right guidance to the work of the various employees within the company.

Risk management

The company's Board works continuously and systematically with risk management in order to indentify risks and take action to mitigate identified risks. In addition, risk assessment is designed to identify such risks that have a significant impact on internal control regarding financial reporting.

Developing new pharmaceuticals to market registration and product launch is a risky and capital intensive process. Risk factors considered of particular significance for Moberg Derma's future are: results of clinical studies, regulator assessments, competitors, market development, key employees, financing, dependence on external parties in partnerships, patents and trademarks. A more detailed description of Moberg Derma's exposure to risk and how Moberg Derma manages it is provided in the Annual Report on pages 36–37.

Control activities

The primary purpose of control activities is to prevent, discover and rectify misstatements in financial reporting. Processes and activities have been structured to manage and address significant risks related to financial reporting. These activities include analytical updates and comparisons of the progress of profits or items, reconciling accounts and balances, and approval of all business transactions and collaboration agreements, powers of attorney and certification instructions, as well as accounting and valuation policies. Access to ERP systems is limited by authority, responsibility and role.

Information and communication

Moberg Derma is a listed company in one of the most regulated industries in the world - healthcare. In addition to the extensive requirements that NASDAQ OMX Nordic Stockholm and the supervisory authorities impose on the scope and accuracy of information, Moberg Dermas internal information and communication functions are designed to ensure that correct financial and other corporate information is communicated to employees and other stakeholders.

The company's internal instructions and policies are available for all employees, providing information on applicable procedures in all parts of the company and describes control functions and how they are implemented.

The security of all information that may affect the market value of the company and the mechanisms to ensure that such information is communicated in a correct and timely fashion are cornerstones of the company's undertaking as a listed company. These two factors, and the procedures for managing them, ensure that financial reports are received by all players in the financial market at the same time, and that they provide an accurate presentation of the company's financial position and performance.

Monitoring compliance

Monitoring compliance with internal policies, guidelines, manuals and codes as well as the appropriateness and functionality of the established control activities is conducted regularly. Measures and procedures for financial reporting are subject to regular follow up. Moberg Derma's management conducts monthly performance follow up, with an analysis of deviations from budget and the preceding period, also on a project level. The Directors review the annual report and interim reports prior to publication. The Board meets the company's external auditor each year to discuss the company's internal control and financial reporting procedures.

Assessment of the need for internal audit

Moberg Derma has no separate auditing function (internal audit). The Board annually evaluates the need for such a function and, considering the size of the company, with relatively few employees and a scope of operations in which most transactions of significance are of similar character and relatively uncomplicated, has found no basis for establishing a formal internal auditing function.

Compliance with the Swedish stock exchange rules, etc., during the financial year

During the 2011 financial year, Moberg Derma has not been subject to decisions passed by the NASDAQ OMX Nordic Exchange Stockholm's disciplinary committee or pronouncements by the Swedish Securities Council regarding accepted market practices.

AUDITORS' REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders Moberg Derma AB (publ)
Corp. reg. No. 556697-7426

It is the Board of Directors who is responsible for the corporate governance report for the financial year 2011 on pages 69–75 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm den 29 mars 2012

Ernst & Young AB

Magnus Fagerstedt
Authorized Public Accountant

HISTORY

Moberg Derma was founded on March 16, 2006 by Peter Wolpert and Marie Moberg. Upon its founding, Moberg Derma acquired a patent and project portfolio based on many years of research starting in the 1980s conducted by the late Swedish dermatologist Dr. Sven Moberg, who worked at the Sahlgrenska University Hospital among other institutions. The company's portfolio has since been expanded through new innovations, the acquisition of licenses for projects and of a patent portfolio as well as continued development.

In the first half of 2007 a clinical phase II trial of Kaprolac® Dandruff Solution for treatment of seborrhoeic dermatitis was conducted.

In 2007–2008 the company conducted a clinical phase III trial on Nalox™ (493 patients). A clinical phase III trial on Kaprolac® Dandruff Solution was also conducted in 2008.The company's development portfolio was strengthened through the acquisition of all assets from the bankruptcy estate of Zelmic Technologies AB, including the Limtop patent applications and laboratory equipment.

In 2009 the company concluded its first distribution agreement for sales of the company's Nalox™ nail preparation in the Nordic regions with Antula Healthcare AB (acquired by Meda AB in 2011). Moberg Derma conducted a clinical phase I/II trial for Kaprolac® SRH in atopic dermatitis. The company submitted a new patent application for MOB-015 and received a grant of SEK 4.2 million from Vinnova for development of the project. In November, three cosmetic products in the Kaprolac® series were registered with the Swedish Medical Products Agency.

In March 2010, the company received European marketing authorization for Nalox™ and Kaprolac® Scalp Solution as medical device products (CE mark). The company concluded further distribution agreements in 2010, covering Canada, the Middle East and several smaller markets for Nalox™/ Emtrix®. In the autumn of 2010, Nalox™ was launched in Sweden, Denmark, Norway and Finland. Already in the first quarter after its launch, the product became market leader in the Nordic region. In November 2011, a clinical phase II trial of MOB-015 (237 patients) was initiated.

In February 2011, the company published positive results from a clinical trial on Nalox™. The study involved 75 patients with nail fungus and showed that 92 percent of patients experienced an improvement after eight weeks of treatment. Already after two weeks of treatment, an improvement was seen in 77 percent of patients. In May, the company was listed on the NASDAQ OMX STOCKHOLM, main list. During the year the company entered into new distribution agreements with Menarini (Italy), Alterna (USA) and OzHealth (Australia and New Zealand). The company also expanded its license agreement with Meda OTC, which now comprises a total of 22 countries, including Germany, France, Spain, Great Britain, Russia, Poland, Turkey and the Nordic countries. In 2011, Nalox™ maintained its market leading position in the Nordic region, while the international launch was initiated, with Nalox™/ Emtrix® being introduced in the U.S. and Australia.

MANAGEMENT

PETER WOLPERT

CEO and founder, M.Sc. in Engineering, M.Sc. in Economics and Business

Born 1969. Has worked for the company since 2006. Peter Wolpert has 15 years' experience as a CEO, strategy consultant and entrepreneur, and is Chairman of Viscogel AB. He was a co-founder of Accuro Immunology, Ibility and Viscogel, CEO of Athera Biotechnologies and a strategy consultant at McKinsey & Co. *Shareholding:* 600,000 shares through Wolco Invest AB and 50,000 employee stock options (exercisable to subscribe for 50,000 shares).

MARTIN INGMAN

VP Sales & Marketing, M.Sc. in Economics and Business

Born 1962. Has worked for the company since 2008. Martin Ingman has 18 years' experience from senior sales and marketing positions at Astra AB (the current AstraZeneca), Q-Med AB and Carema Omsorg AB. *Shareholding:* 1,100 shares and 64,000 employee stock options (exercisable to subscribe for 108,000 shares).

KJELL RENSFELDT

VP Clinical Development and Medical Affairs, Certified Physician, M.Sc. in Economics and Business

Born 1957. Has worked for the company since 2007. Kjell Rensfeldt has 13 years' industrial experience from senior positions at Biogen Idec and Q-Med. Dr Rensfeldt also has ten years' clinical experience as well as specialist training in urology. *Shareholding:* 5,000 B shares and 87,000 employee stock options (exercisable to subscribe for 159,000 shares).

MAGNUS PERSSON

Director of Investor Relations

Born 1964. Has worked for the company since 2010. Magnus Persson has 20 years' experience from CFO and other senior positions at start-ups as well as listed companies, including Popwire, Panopticon, AT&T, Sendit / Microsoft and Digital Vision. He is Chairman of Visittravelcom Technology Group AB and a founder and partner of Streamson AB and TolvPlus 4 AB. *Shareholding:* 90,628 shares owned by Streamson AB and 64,434 shares owned by the company Tolvplus4 AB

ANNA LJUNG

Chief Financial Officer, M.Sc. in Economics and Business

Born 1980. Has worked for the company since 2006. Anna Ljung has previously worked as CFO at Athera Biotechnologies AB and Lipopetide AB and as an independent consultant in technology licensing.
Shareholding: 10,000 shares and 35,000 employee stock options (exercisable to subscribe for 55,000 shares).

FREDRIK GRANSTRÖM

Legal Counsel (part-time, on a consultancy basis), LL.M.

Born 1968. Has worked for the company since 2006. Fredrik Granström has 15 years' experience as a corporate lawyer specializing in corporate and commercial law. He has previous experience as legal counsel at Astra AB (the current AstraZeneca), SendIt AB and Microsoft. Since 2000 he has been running his own business, Streamson AB. He works close to the Board of Directors and management team in start-ups as well as listed companies. *Shareholding:* 90,628 shares owned by Streamson AB and 64,434 owned by Tolvplus4 AB.

LENA PERESWETOFF-MORATH

VP Pharmaceutical Innovation & Development, M.Sc. Pharm, Ph. D

Born 1960. Has worked for the company since 2012. Lena Pereswetoff-Morath has 17 years' experience from positions in pharmaceutical drug development within Astra Arcus, AstraZeneca, Biolipox and Orexo. *Shareholding:* 0 shares.

BOARD OF DIRECTORS

MATS PETTERSSON
Chairman, M.Sc. in Economics and Business
Mats Pettersson was CEO of Biovitrum AB until 2007. He is Chairman of Lundbeck A/S and NsGene AS, and Director of Ablynx NV, to-BBB Holding B.V, Aquapharma Biodiscovery Ltd and Photocure AS. Mats Pettersson has more than 30 years' experience from the pharmaceutical industry and was Senior Vice President and a member of the management team of Pharmacia Corporation before the establishment of Biovitrum. *Shareholding:* 6,514 shares and 1,600 shares through the company Espen Invest A/S and 26,950 employee stock options (exercisable to subscribe for 53,900 shares).

WENCHE ROLFSEN
Deputy Chairman, Ph.D., Visiting Professor at Uppsala University
Wenche Rolfsen has more than 25 years' experience from the pharmaceutical industry, has held senior positions in research and development at Pharmacia and has been CEO of Quintiles Scandinavia AB. She is Chairman of Aprea AB, Index AB, Denator AB and a Director of APL AB, TFS International AB, Stiftelsen Industrifonden, Aker Biomarine AS (publ) Norway. *Shareholding:* 2,934 shares through Rolfsen Consulting AB and 13,626 employee stock options (exercisable to subscribe for 27,252 shares).

BERTIL KARLMARK
Director, MD, Associate Professor
Bertil Karlmark has more than 30 years' experience of clinical trials from various positions at large and small pharmaceutical firms. He is a university lecturer in Clinical Drug Development and has been running his own consultancy business in the same field for over 20 years. *Shareholding:* 30,000 shares.

GUSTAF LINDEWALD
Director, Pharmacist
Gustaf Lindewald has more than 30 years' experience from the pharmaceutical and food industries. He has experience from several senior positions, including Marketing Director at ACO, VP at Procordia Health Food, and Head of Clinical Nutrition and Supply Director at Semper. *Shareholding:* 43,334 shares.

TORBJÖRN KOIVISTO
Director, LL.M.
Torbjör Koivisto is a corporate lawyer focusing on corporate and commercial law. He has previous experience from Mannheimer Swartling, Lindahl and Bird & Bird. Since 2006 he has been running his own business, IARU. *Shareholding:* 5,856 shares through IARU, Institutet för Affärsjuridisk Rådgivning i Uppsala AB.

PETER ROTHSCHILD
Director, M.Sc. in Economics and Business
Peter Rothschild has extensive experience from the biotech industry. He is the founder and CEO of BioGaia AB (publ). He is also Chairman of the Board of Loft Industries AB and a Director of several BioGaia's subsidiaries. Rothschild has also been a Director of Diamyd Medical AB and Perlan AB. *Shareholding:* 32,034 shares through Annwall & Rothschild Investments AB, of which Peter Rothschild owns 50 percent.

PETER WOLPERT
Director, CEO and founder
For a description, see Management on page 78.

AUDITORS At the general shareholders' meeting on April 18, 2011 the auditing firm Ernst & Young AB (Jakobsbergsgatan 24, Box 7850, SE-103 99 Stockholm) was appointed as the company's auditor with the authorized public accountant Magnus Fagerstedt (born 1957 and a member of Far) as chief auditor. The mandate runs in compliance with the company's articles of association until the end of the 2015 AGM.

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

Moberg Derma's Annual General (AGM) will be held on April 23, 2012 at Moberg Derma's offices at Gustavslundsvägen 42, 5 tr., Bromma. Shareholders who would like an issue to be addressed at the AGM must submit their query by March 12, 2012 by post to the company's address or by e-mail to arsstamma@moberg-derma.se.

All shareholders who are registered in their own name in the register of shareholders maintained by Euroclear Sweden AB on April 17, 2012, have the right to attend the meeting. Shareholders whose shares are registered in the name of a nominee must, in order to be entitled to participate in the Annual General Meeting, with the help of the nominee, re-register their shares in their own names in the share register maintained by Euroclear, so that they are registered on Tuesday, April 17, 2012.

REPORT DATES 2011

Interim report January – March 2012	April 23, 2012
Interim report January – June 2012	August 28, 2012
Interim report January – September 2012	October 25, 2012

FINANCIAL INFORMATION

Moberg Derma's reports are available in Swedish and English at www.mobergderma.se. Contact Investor Relations, Magnus Persson, tel +46 (0)733-55 26 01, e-mail magnus.persson@mobergderma.se

GLOSSARY

ACTINIC KERATOSIS – Sun damage that causes a thickening of the stratum corneum of the epidermis. This type of sun damage can turn into squamous cell carcinoma and should therefore be treated.

ANTIMICROBIAL – A substance with properties capable of destroying or inhibiting the growth of disease-causing micro-organisms.

ATOPIC DERMATITIS – A chronic, itchy inflammatory skin disease that is both a hereditary and immunological basis.

CLINICAL TRIAL – A study of the effects of a pharmaceutical in humans.

CORNEOMETRY – Is a technology that objectively measures the hydration of the outer layer of the epidermis. The method is based on measuring the electrical capacitance, which is proportional to the degree of humidity of the skin.

DERMATITIS – Dermatitis is non-contagious skin disease caused by an inflammation of the epidermis. The term dermatitis is used for multiple skin rashes characterized by redness, itching, dryness and peeling.

DERMATOLOGY – The science of the skin and its diseases.

DRUG DELIVERY – The method or process of administering active compounds to achieve a therapeutic effect in humans or animals. Drug delivery technologies refer to patent protected formulation technologies that modify drug release profile, absorption, distribution and elimination for the benefit of improving product efficacy and safety, as well as patient convenience and/or reduced side effects.

FORMULATION – To develop the most appropriate formulation of a pharmaceutical, for example, cream, tablet or liquid form.

IAS (INTERNATIONAL ACCOUNTING STANDARDS) AND IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS) – Accounting rules adopted by the EU. The rules are designed to facilitate comparability of annual reports in Europe.

INCIDENCE – The number of persons (or the proportion of persons) in a certain group developing a disease during a specified period of time.

KERATOLYTIC – To remove /shed dead cells from the epidermis/nail.

MICROSCOPY – Studies on the microscopic level of objects not visible to the naked eye.

MYCOLOGY – The study of fungi.

ONYCHOMYCOSIS (NAIL FUNGUS) – A fungal infection of the nail that often results in the thickening and crumbling of the nail and the separation of the nail from the nail bed. Nail fungus is normally caused by dermatophytes.

PATENT FAMILY – All patents and patent applications submitted in different countries in respect of a particular invention.

PHOTODYNAMIC THERAPY – Method of treatment, mainly for superficial skin tumors, based on a chemical reaction activated by light energy to selectively destroy tissue. The process requires that a photosensitive substance is added to the tissue and a light source that emits a wavelength that can be absorbed by the photosensitive agent.

PREVALENCE – The number of persons in a certain group having a certain disease at a certain time.

SEBORRHOEIC DERMATITISM – Seborrhoeic dermatitis is a common skin disease in which a yeast, Malassezia, is believed to be a contributing factor.

TERBINAFINE – An antifungal agent, developed by Novartis, now without patent protection. It belongs to a class of pharmaceuticals called allylamines, which block the activity of an enzyme, squalene epoxidase, that has a central role in the synthesis of the fungal cell membrane.

TOLERANCE – The ability to endure a pharmaceutical, mainly concerning side effects.

TRANSEPIDERMAL WATER LOSS – An objective measurement of damage to the skin barrier. The method measures the quantity of water that passes through the epidermal layer to the surrounding atmosphere via diffusion and evaporation processes.

TRICHOPHYTON RUBRUM/TRICHOPYTHON MENTAGROPHYTES – Types of dermatophytes.

U.S. PROVISIONAL PATENT APPLICATION A legal document filed in the United States Patent and Trademark Office, that establishes an early filing date, but which must be followed up within a year with a PCT application or national application.

MOBERG DERMA AB (PUBL) | TELEPHONE +46 8 522 30 700 | FAX +46 8 735 20 29 | INFO@MOBERGDERMA.SE | WWW.MOBERGDERMA.SE